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FREDERICK A. CLEVELAND, PH.D.

Publications of
The Institute for Government Research

STUDIES IN ADMINISTRATION

+ **The System of Financial Administration of Great Britain**
By W. F. Willoughby, W. W. Willoughby and S. M. Lindsay

The Budget
By René Stourm
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By Harold G. Villard and W. W. Willoughby

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THE INSTITUTE FOR GOVERNMENT RESEARCH
STUDIES IN ADMINISTRATION

THE CANADIAN BUDGETARY SYSTEM

BY

HAROLD G. VILLARD

AND

W. W. WILLOUGHBY

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The Institute for Government Research is an association of citizens for cooperating with public officials in the scientific study of government with a view to promoting efficiency and economy in its operations and advancing the science of administration. It aims to bring into existence such information and materials as will aid in the formation of public opinion and will assist officials, particularly those of the national government, in their efforts to put the public administration upon a more efficient basis.

To this end, it seeks by the thoroughgoing study and examination of the best administrative practice, public and private, American and foreign, to formulate those principles which lie at the basis of all sound administration, and to determine their proper adaptation to the specific needs of our public administration.

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EDITORIAL PREFACE

In the first published report of the Institute for Government Research, entitled "The System of Financial Administration of Great Britain," a detailed discussion was given of a system of financial administration which, if account be taken not only of actual efficiency but of conformity to the requirements of popular government, may be deemed the most successful in existence.

A comparison of the essential features of that system with the methods of financial administration pursued in the United States tends strongly to show that the British system is, in almost all important respects, a far better one than that which we possess. Before, however, one is warranted in urging that the British system, or certain features of it, be copied by ourselves, it is necessary to determine whether the characteristic features of that system are in conformity with the constitutional structure of our own government and with those principles of public policy which we have accepted as fundamental. And even where no such opposition or disharmony is found, it is further necessary to determine in how far the efficient or inefficient operation of the system is due to its formal organization and in how far to special circumstances and, especially, to traditions or conventions which, though without legal force or definite formulation, are none the less effective. If, therefore, it be possible to trace the practical working of the system under diverse conditions of time, place, and political traditions, and to make comparison of the different results reached, an opportunity will be given for determining, more confidently than would otherwise be the case, the extent to which the good and bad results reached have been due to excellencies and defects which are inherent in the system itself, and which, therefore, may with profit be copied or avoided.

Fortunately, this opportunity may be found in the study of the financial system of the great oversea Dominion of Canada, which embodies many of the chief features of the British system. To this study the present volume is devoted.

In order that the comparison of actual operation in the two countries might be most effectively made, this Canadian report has been made to follow as nearly as possible the order and mode of treatment that was adopted in the report on the British system. It is to be observed, however, that in the present report the opinions of Canadian public officials and publicists have been quoted more liberally than were the observations of British officials with reference to the workings of their own institutions. It is believed that the policy of reproducing these judgments and explanations is justified even though their correctness may not in some cases be admitted. In order also that the method of presentation followed in the British system might be understood, it was deemed advisable to summarize the general analysis of the problem of financial administration given in the first chapter of the British report. It has been necessary to speak also of the constitutional system of Canada in so far as it has a bearing upon the administration of the national finances.

In the course of this study a considerable amount of data relative to the budget systems of the several provincial governments of Canada was gathered. This material has been presented by Mr. Villard in the October, 1917, number of Municipal Research, a periodical published by the New York Bureau of Municipal Research.

As two authors have collaborated in the preparation of this volume, it may be proper to state that chapters 1, 2, 8, 9 and 11 have been written by Professor Willoughby; chapters 3 and 12 are the work of Mr. Villard.

The remaining chapters have been prepared by the authors jointly. Mr. Villard is responsible for the many quotations from Canadian parliamentary debates and budget speeches found in the text, the selection and arrangement of which only an exhaustive perusal of the Canadian Hansard made possible.

W. F. Willoughby.

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CHAPTER I

ANALYSIS OF THE PROBLEM OF FINANCIAL ADMINISTRATION

Practically all of the great states of the world, with the exception of the United States, have adopted what is known as the budgetary system of financial administration. As stated in the British report,[1] "the idea underlying the conception of a budgetary, as opposed to a non-budgetary, system is that, in the former, the effort is made by those who are responsible for initiating financial measures to consider both sides of the national account at one and the same time, or at least in their relations to each other, and to place them before the legislative branch when appropriations are requested; while, in the latter, no such attempt is made. It is of the essence of the budgetary system that the fund-raising and fund-granting authority shall be presented with a balanced statement of estimated receipts and expenditures to the end that it may see whether there is a prospective deficit to be provided for, or a surplus which may be applied in the way of reduction of the national debt or for some other purpose, or avoided by the remission of taxation."

This balancing of receipts and payments and the coordination of estimates for future expenditures with the recommendation of means whereby the funds to meet them may be obtained by the government, is, however, but a single element in the administration of the finances of a government. It is, none the less, an element which has an important determining influence upon many of the other features of the system of financial administration of which it constitutes a part. The whole system itself embraces the following steps or operations:

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[1] The System of Financial Administration of Great Britain, by W. F. Willoughby, W. W. Willoughby and S. M. Lindsay, p. 225.

1. *On the Revenue Side*

1. The determination by the law-enacting authority of the ways and means whereby the moneys needed by the government may be raised. Generally speaking these are by taxes, loans, sales of public property, and fees or other charges for public services. This legislative determination is practically always influenced, if not controlled, by estimates made by the executive branch of probable revenues to be received from existing or proposed new sources of income. Whether or not modifications in existing revenue laws shall be made or new loans authorized will naturally depend in large part upon the expenditures which are authorized for the next fiscal period.

2. The establishment and operation by the executive, acting within its constitutional or statutory powers, of an administrative organization for the collection of these revenues or the sale of government bonds, notes, or other credit obligations. In all systems of responsible government this involves the keeping of accurate records and books of account, the rendering and publishing of full reports of all transactions, and the existence of a system of audit and control to see that accruing revenues are collected and duly accounted for.

2. *On the Custody Side*

1. The organization and maintenance of a treasury system for the receipt, custody, and issue to disbursing officers of all public revenues.

3. *On the Expenditure Side*

1. The preparation of estimates of sums needed to be expended by the different branches of the government during the next fiscal period. From the nature of the

case, whether the budgetary system be adopted or not, it is necessary that, in their first form at least, these estimates should be drawn up by the executive departments through and by which the expenditures are to be made. In connection with these estimates it is usual to furnish a balance sheet showing the existing liabilities and available assets of the government.

2. The consideration of these estimates, financial statements, and executive recommendations, if any, by the legislature, and, based upon them, or upon further information obtained by itself, the authorization of sums to be spent during the next fiscal period and the designation of the persons by whom, and the purposes for which, they shall be expended.

3. The establishment and operation of an administrative system through which the expenditure of the sums of money thus made available shall be authorized, disbursed, and duly accounted for. This involves the adoption and use of standard forms of requisitions, vouchers, etc., that will constitute the warrant for and evidence of all expenditures. There is also involved the keeping of books of account in which all financial transactions are entered, with the several items duly segregated according to the specific appropriations legislatively made. There is further involved, at least in all systems of responsible governments, the making periodically of full reports, based upon the accounts thus kept, of all financial transactions.

4. The establishment of means whereby these reports, when rendered, may be duly audited in order that their accuracy may be determined as well as the legality of each of the expenditures made. These audits thus not only furnish the means whereby executive or administrative superiors determine whether their subordinates have faithfully and properly executed their duties, but, when presented to the legislature, supply the information which will enable that body to determine whether or not its commands and instructions have been duly followed.

From the foregoing outline it will appear that, simply as a matter of accountability, it is essential that no dollar of the public moneys should be spent except in pursuance of a legal authorization issued by the organ of government which gives utterance to the public will; that, therefore, each official should be individually and personally responsible for any payments that he makes; that, consequently, accurate and complete financial accounts should be kept and periodically published for the information of the public and the guidance of the legislature or appropriating organ; and, finally, in order that this individual responsibility may be made sure, and the records correctly kept, that all accounts should be subject to audit and control.

So much simply from the standpoint of accountability and book-keeping accuracy. When, from this, we turn to the question of operative efficiency and economy in the raising and spending of the public funds we find several considerations which must necessarily apply whatever may be the specific system of financial organization and administration.

In the first place it is essential that the revenues and expenditures of the government should be coordinated. This means that past and estimated future returns from existing sources of revenue should be reported in such a form that their totals may be taken into consideration when the estimates for future expenditures are being considered.

In the second place it would seem to be essential that the recommendations for future public expenditures should emanate from the services which are to spend them, for it is clear that they are in the best position to know their own needs. Where, however, the question is whether the government shall enter upon some new enterprise or activity for the carrying out of which no existing administrative agency is competent or appropriate, the case is stronger that the legislative branch should itself originate the project and frame the estimates for the resulting costs.

While it is proper that, with regard to at least the general and routine operations of government, each spending branch or bureau of the government should make the original estimate of its financial needs for the coming fiscal period, it is equally essential to the efficiency and economy of any public financial system that these original estimates should be subject to rigid scrutiny and revision by the superior administrative authorities, and that all of these several estimates, thus revised, should be brought together and again revised so as to maintain a proper proportion between the several sums asked for, and to bring their totals into harmony with the general needs and resources of the government.

The need in any system of financial administration for this revision and coordination of the original estimates of various bureaus and departments is due to two facts, the one of knowledge, and the other psychological, as characteristic of human nature itself. As regards the matter of knowledge, it is clear that the heads of the several subdivisions of the administrative service cannot be expected to have exact information as to the needs of services other than their own or of the government as a whole. As regards the psychological or subjective element, it is but natural, and indeed laudable, that each head of a bureau should emphasize the value of the service which he directs and seek to increase its scope and importance and, therefore, be disposed to ask for corresponding financial support. It is thus to be expected that he will ask for all that he can possibly hope to get without regard to the demands of the other services.

A third feature essential to the efficiency of any system of national finance is that the legislative or appropriating body should not specify in such detail the manner in which and the purposes for which the sums appropriated shall be spent that those who direct the spending services are left with so slight discretionary powers that they are not able to make their expenditures conform to the exact needs of their services, as they are revealed from day to day in the course of actual administration. It is essential that the fund-granting authority should demand a complete accounting down to small details of all sums spent, and that abundant opportunity should exist for criticism upon its part of everything that is done. But it is fatal to real administrative efficiency for the legislative body to deny a reasonable degree of discretionary power to its administrative agents.

A fourth prime feature of an efficient and economical administration of the financial affairs of a state, is that the right or opportunity should not be given to the legislature or to its individual members to add items of expenditures to, or to suggest increases in those items contained in the estimates or recommendations of the executive spending departments.

The experience of France and the United States is eloquent testimony as to this. Even in England, where this right of increasing the appropriation asked for does not exist, there is evidence that, so far as the House of Commons is able to use pressure or influence, it is not in the direction of economy. Thus, for example, in the very able report of a Select Committee on National Expenditure, made in 1903, the statement is made that "eight witnesses who have had special opportunities of noticing the effect of discussions in the Committee of the House of Commons on Supply gave it as their opinion that for many years past the result was to urge increased not decreased expenditures."

It will be found that in Canada, as in England, the right of the House of Commons to vote appropriations greater than those asked for by the Executive does not exist, but, unfortunately, it would appear that the Government in making up its estimates does not resist the "pork barrel" influences which, upon the legislative side, have been so conspicuous in France and the United States. One of the interesting points of the present inquiry will therefore be to determine, if possible, why this unsatisfactory feature should have found a place in the Canadian and not in the English system.

The foregoing prime essentials of an efficient financial system have been mentioned in this introductory chapter not with the view of discussing comprehensively the problem, but only that they may be especially borne in mind when examining and passing judgment upon the detailed description of the Canadian system which is to follow.[1]

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[1] For a fuller consideration of this question see "The Problem of a National Budget," by W. F. Willoughby. Studies in Administration, Institute for Government Research, 1917.

CHAPTER II

THE CANADIAN CONSTITUTIONAL SYSTEM

The document which serves as the Constitution of the Dominion of Canada and provides for the federal union of the constituent Provinces is the British North America Act enacted in 1867 by the British Parliament.

When created, the Dominion consisted of the four Provinces of Ontario, Quebec, Nova Scotia and New Brunswick. Since that time the Provinces of Manitoba, British Columbia and Prince Edward Island have been admitted to the Federation, and the Provinces of Saskatchewan and Alberta formed out of the great territories subject to the jurisdiction of the Dominion. There are now, therefore, nine Provinces in the Union, while still under "territorial" jurisdiction are the district of the Yukon and the Great Northwest Territory which embraces approximately a million and a quarter square miles.

Relations between the Dominion and the Provinces. Though resembling the Constitution of the United States in that provision is made for a federation of autonomous bodies-politic under one superior government, there are certain important differences distinguishing the two instruments of government which need to be pointed out.

In the first place the British North America Act itself outlines the governments to be enjoyed by the Provinces, whereas, as is well known, the only provision of the United States Constitution with reference to the governments of the individual states is that they shall be republican in form. Thus the Canadian instrument provides that in each province there shall be a Lieutenant Governor appointed by the Governor General of Canada and, after five years, removable for cause. Ontario is given a unicameral legislature to be elected according to provisions set forth in the act. Quebec is given a bicameral chamber, the members of which are to be elected according to the methods stated in the act. The existing legislatures of Nova Scotia and New Brunswick are continued.

The establishment by the British North America Act of the provincial legislatures and the offices of the Lieutenant Governors gives to the Provinces, in a formal sense, a status equal to that of the Dominion government since they derive their being and powers from the same source. When, however, we consider that the Lieutenant Governors are appointed by the Governor General of the Dominion, and that there is given to the central government the right to disallow provincial acts, it is seen that in these respects at least the Canadian Provinces occupy a position inferior to that enjoyed by the states of the American Union.

This right of disallowance is one which may be exercised not merely upon the ground that the provincial acts are *ultra vires,* as tested by the British North America Act, but because they are deemed unwise or unjust, or inconsistent with imperial British interests. It is, however, to be observed that, forsaking the earlier practice, the established doctrine of recent years is that provincial acts shall not be disallowed except upon grounds of unconstitutionality or of prejudice to general dominion or imperial interests. And even as regards constitutionality, the practice is, except in very clear cases, to allow this to be settled by the courts.

The Judiciary. In several other important respects the Canadian federation is a more centralized one than is the American. All the judges, except of the probate courts, are appointed by the Dominion government. They hold office during good behavior and have their salaries fixed by the Dominion Parliament.[1]

The Act of 1867 provided for the establishment of a Dominion Court of Appeals and for such other tribunals as might be needed for the due administration of the laws of Canada. In pursuance of the authority thus granted, the Parliament in 1875 established two tribunals, the one known as the Supreme Court of Canada and the other as the Exchequer Court of Canada.

Besides a comprehensive appellate jurisdiction over the judgments and decrees of provincial courts in matters both civil and criminal, the Supreme Court has authority to adjudicate controversies between the Dominion and provincial authorities and, upon request of their respective legislatures, between the Provinces themselves. To this court also the Governor General in Council may refer certain constitutional questions for its opinion. To it also come appeals from the Exchequer Court. In criminal cases the judgments of the Supreme Court are final. From judgments on appeal from the Exchequer Court in

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[1] It is provided that the judges shall be selected from the bar of the Province in which they are to sit.

Admiralty cases, an appeal lies of right to the Judicial Committee of the Privy Council in England. In all other cases an appeal to the Judicial Committee lies only after leave from that body is obtained. It may also be added that, upon leave obtained, appeals to the Judicial Committee may be taken from the judgments of the courts of the Provinces. The Supreme Court consists of a Chief Justice and five puisne judges.

Until 1887 the judges of the Supreme Court acted as judges of the Exchequer Court. In that year, however, because of the great growth of exchequer business, it was found necessary to set up a wholly independent court, presided over by a single judge with a jurisdiction relating especially to claims against the state or actions brought by or on behalf of the government for the recovery of fines and forfeitures.

By later acts the jurisdiction of the court has been extended to cover matters of admiralty and prize, patent infringements, copyrights and trademarks, and, in certain cases, the ordering of the sale of insolvent railways. In 1912 an assistant judge was provided. For convenience to the suitors the court holds sessions in different parts of the Dominion.

Distribution of Legislative Powers in the Dominion. As regards the distribution of legislative powers between the Dominion and the Provinces, the British North America Act pursues a different method from that of the American Constitution. In the United States, as is well known, the Congress possesses only those powers which are enumerated, including those implied as "necessary and convenient" for carrying the specified powers into execution. To the states or to the peoples thereof are expressly reserved all legislative authority not thus granted. In the Canadian instrument, however, the attempt seems to have been made by its framers to divide the entire legislative domain between the Provinces and the Central Government, so that the two fields thus marked out would be mutually exclusive and collectively comprehensive and making neither one the residuary possessor of all unenumerated powers. Thus, we find a careful enumeration of the provincial as well as of the Dominion legislative powers. To the enumeration of provincial powers there is added the grant "generally of all matters of a merely local or private nature in the Province."[1]

The enumeration of powers exclusively granted to the Dominion Parliament is introduced by the statement that the Dominion Parliament shall have the power to "make laws for the peace, order, and good government of Canada in relation to all matters not coming within the classes of subjects by this Act assigned exclusively to the legislatures of the Provinces; and for greater certainty, but not so as to restrict the generality of the foregoing terms of this section, it is hereby declared that (notwithstanding anything in this act) the exclusive legislative authority of the Parliament of Canada extends to all matters coming within the classes of subjects next hereinafter enumerated;" and the enumeration concludes with the statement that "any matter coming within any of the classes of subjects enumerated in this section shall not be deemed to come within the class of matters of a local or provincial nature comprised in the enumeration of the classes of subjects by this Act assigned exclusively to the legislatures of the Provinces."[1]

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[1] British North America Act, Section 92, par. 16.

It would appear from the provisions which have been quoted that the intention was that the Provinces were to have legislative power with reference to all unenumerated powers of a purely local character. It is not so clearly stated that the Dominion Parliament was to have legislative authority with reference to all matters of a general or dominion interest. In fact, however, the words which have been quoted, that the dominion legislative power should extend to the making of laws for the "peace, order, and good government of Canada" taken in connection with the statement that the enumeration of specific powers is not to be construed as limiting the generality of the preceding terms of the section, have been construed as giving to the Dominion comprehensive authority to enact all laws which relate to matters of a general as distinguished from a purely local or provincial character. It is thus seen that, in fact, the Dominion is as much the residual claimant to all general legislative powers as are the Provinces to purely local legislative powers. In effect, then, as regards unenumerated powers the Dominion government is in a far stronger position than is the National govern-

[1] British North America Act, Section 91.

Section 93 makes special provision regarding laws in relation to education; Section 94 makes provision for the bringing about of uniformity of laws of the Provinces relating to civil and property rights; and Section 95 provides that the Dominion and Provinces shall have concurrent jurisdiction with regard to the control of Agriculture and Immigration.

ment of the United States. And, as regards the settlement of disputes as to whether a given matter may be deemed of provincial or dominion interest, the final word is with the Supreme Court of the Dominion or with the Judicial Committee of the English Privy Council.

It is furthermore to be observed that the expressly granted dominion powers include important subjects that, under the American system, are not given to the general government. Thus they include the general regulation of trade and commerce, quarantine, seacoast and inland fisheries, banking, incorporation of banks and the issue of paper money, savings banks, bills of exchange and promissory notes, interest, bankruptcy, marriage and divorce,[1] and, comprehensively "the criminal law, except the constitution of courts of criminal jurisdiction, but including the procedure in criminal matters."

The predominance of dominion over provincial legislation where a conflict exists has been repeatedly affirmed by the English Privy Council.[2]

Totality of Legislative Power Granted. Another feature which sharply distinguishes the Canadian from the American system is the principle that the dominion and provincial legislatures together possess the totality of legislative power, except so far, of course, as it is reserved by the British Parliament itself. In other words there is not in Canada, as there is in the United States, a field of individual rights which the legislative authority may not enter. As stated by an eminent Canadian constitutional commentator: "The scheme of our Federation Act was to have no reserved power, but that there should be, in Canada, the same kind of legislative power as there is in the British Parliament, so far as that was consistent with the confederation of the Provinces and our position as a Dominion within the Empire. . . . Here then, again, the framers of the British North America Act have been faithful to the statement in the preamble of the Act, that it was passed to carry out the expressed wish of the legislatures of the different Provinces of Canada, that they should be federally united 'with a constitution similar in principle to that of the United Kingdom.' "[1]

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[1] The Provinces are granted authority to legislate with reference to "the solemnization of marriage in the Provinces." The harmonizing of this provision with the dominion grant of jurisdiction over marriage and divorce has given rise to not a little controversy.

[2] See for example, Attorney General of Ontario v. Attorney General of Canada, 1894 Appeal cases 189; La Compagnie Hydraulic v. Continental Heat and Light Co., 1909 Appeal cases 194.

Cabinet Government in Canada. The Act of 1867 does not make specific provision for the institution in Canada of responsible parliamentary government as it exists in the United Kingdom, but it was well understood that this form of rule which already existed in the Provinces should be continued in them and instituted in the dominion government which was to be established. This, in fact, was the special meaning of the provision that Canada was to have a constitution similar to that of the mother country. This expectation has been realized; and, although it cannot be said that the cabinet system has developed in Canada exactly as it has in Great Britain, it is sufficient for the purposes of this report to say that in Canada we have to deal with governments of the English parliamentary type. And thus it is to be remembered that when the Governor General who represents the Crown in Canada, and the Lieutenants who act in a similar representative character in the Provinces, are spoken of as doing or authorized to do a given act, it is meant that, in fact, the act represents the will of cabinets of ministers politically responsible to their respective legislatures.

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[1] Lefroy, Canada's Federal System, p. 95.

Imperial Control. With regard to the extent to which the Canadian governments are subject to British imperial control it will not be necessary to say more than that, whatever may be technical legal competence of the imperial government, in assured fact Canada has complete independence of action with regard to all matters which relate to Canadian interests and which do not conflict with imperial policies. And this actual independence has been constantly increasing, and in practice is now construed to extend to matters which for many years were regarded as primarily imperial in character and therefore reserved for British imperial control. Thus laws governing navigation, immigration, tariffs, and naturalization are now held to be within the competency of the Dominion and even as to treaties the established doctrine is that other than purely political connections entered into by Great Britain shall obtain the approval of Canada before being made applicable to that country. And furthermore, Canada, acting nominally through the British foreign office or a British diplomatic agent, has negotiated and entered into special agreements with foreign powers.

Disregarding, then, juristic refinements, the Dominion of Canada may, for the purpose of this report, as well as for many other matters, be regarded as an independent sovereign state.

The special financial relations which exist between the Dominion and its constituent Provinces will be considered as a special topic in the chapter that follows:

Outline of Dominion Government. It is provided by the Constituent Act of 1867 that the executive authority of the Dominion shall be vested in the King of Great Britain and Ireland and carried on in his name by a Governor General aided by a Privy Council. The functions of the Governor General, who is appointed by the Crown, are almost wholly formal in character. He has in Canada no more independent discretionary powers than has the King in England. His ministers, as in England, are members of his Privy Council and the acts authorized in his name, even when partaking of a prerogative character, are the result of advice given to him by his ministers. These, in conformity with the principles of cabinet government, are members of Parliament and remain in office only so long as they are able to retain the support of a majority in the Lower House. The Privy Council at present (1917) consists of a premier and president, and the heads of fourteen executive departments, together with several ministers without portfolios.[1]

The Parliament of Canada consists of two houses, the Senate and House of Commons. The members of the Senate are appointed for life by the Governor General, acting of course upon the advice of the Ministry of the day. In practically all cases the ministry in power have nominated persons of their own political faith, with the result that the political complexion of the Senate has varied according to the political party which has remained for any length of time in power. There are now eighty-seven senators, who are apportioned among the Provinces roughly according to their respective populations. The speaker of the Senate is appointed and removable by the Governor General from among the members of that body.

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[1] British North America Act 1867. Section 11. "There shall be a council to aid and advise the Government of Canada, to be styled the Queen's Privy Council for Canada, and the persons who are to be members of that Council shall be from time to time chosen and summoned by the Governor General and sworn in as privy councillors, and members thereof may be from time to time removed by the Governor General."

The members of the House of Commons are elected by popular vote for terms of five years. It is provided that the Province of Quebec shall always have sixty-five members and the other Provinces proportionately according to their respective populations. At present (1917) there are two hundred and thirty-five members. As in the United States, the qualifications for voting for members of Parliament are fixed by the Provinces, and they vary somewhat in the different Provinces. The House elects its own speaker.

The Senate has exactly the same powers with respect to legislation as has the lower branch except that "bills for appropriating any part of the public revenue, or for imposing any tax or impost, shall originate in the House of Commons."[1]

The attitude of the Senate towards financial measures coming to it from the House of Commons will be specifically described in Chapter VII in which will be considered the legislative procedure with relation to money bills. It will there be seen that since 1870 the Senate has made no attempt to defeat a tax or appropriation act. With regard to other matters, and many of them of considerable importance, the Senate has opposed its will and persisted in its opposition. Thus in 1913 the Senate defeated the very important measure passed by the House authorizing the giving of assistance by Canada to the naval forces of the Empire.[1]

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[1] British North America Act, 1867, Section 53.

The Governor General is given the right to appoint a small number of additional senators in order that aid may thus be given the ministry in power to overcome the resistance of the Senate to the will of the Commons. This right has not, however, been exercised. Practice has established the rule that the Senate shall not amend a money bill sent to it by the Lower House.

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[1] For a list of other instances of Senatorial opposition to the House see Bourinot, Parliamentary Procedure and Practice in the Dominion of Canada, 4th ed., 1916, p. 286. See also Riddell, The Constitution of Canada in Its Historical and Practical Working.

CHAPTER III

CONTROL OF GOVERNMENT EXPENDITURES BEFORE CONFEDERATION: PROVINCIAL SUBSIDIES

To understand the present system of financial administration in Canada and especially the matter of Dominion subsidies to the Provinces it will be necessary to describe briefly certain conditions existing prior to the enactment of the British North America Act of 1867.

History of French Canada—1763-1812: Executive Absolutism over Public Receipts and Expenditures. For more than two centuries a French colony, Canada became a part of the British Empire by the treaty of 1763. Besides being assured in the possession of their property and privileges and permitted to observe their religion, the inhabitants obtained the benefits of British criminal law which was less harsh than that of France. They were also promised a representative form of government in place of the absolutism previously exercised by the French kings. As under the French régime, the territorial or casual revenues were reserved to the Crown. These consisted of certain seigniorial dues, the income derived from the Jesuits' estates and proceeds of the sale of government timber and land. The right of levying taxes and of regulating the trade and commerce of the colony was deemed to be vested in the British Parliament.

When the outbreak of the American Revolution appeared imminent, British statesmen considered it prudent to grant additional concessions to the French

Canadians and thus to make sure of their loyalty to the British Crown. Accordingly the so-called Quebec Act was passed in 1774, which in reality consisted of two separate enactments. One of these imposed certain duties on spirits and molasses to be expended solely by the Crown in order to provide a revenue "towards defraying the expenses of the administration of justice and the support of the civil government of the Province." The other statute gave a form of government. Complete religious liberty was granted to adherents of the Roman Catholic Church; an appointive legislative council was created with full legislative powers, except in matters of taxation; and the old French law based on the Coutume de Paris was reestablished. The fateful consequencies of this last provision were not foreseen—that it would revive and perpetuate French institutions in Canada and would halt the assimilation of the French and English colonists.

During the American Revolution a migration of expelled loyalists took place from the United States to Canada; and, after the peace of 1783 many others followed who did not wish to lose their British citizenship. A large number of these established themselves in the western part of the Province beyond the region of French settlements. As these western settlers were disinclined to conform to French customs and regulations, the British Ministry decided in 1791 to divide the colony into two portions. The point at which the land grants of the French Crown ceased was taken as the line of division. All the territory to the east continued to be held under French tenure and was called Lower Canada, while that to the west was governed by English laws and was designated Upper Canada. The effect of this legislation was to accentuate the isolation of the French Canadians from the English speaking element of the population and to keep their sense of nationality all the more alive.

Legislature's Restricted Taxing Powers. The act of 1791 established a representative form of government for the two Provinces. Each was granted a legislature made up of an elective house of assembly and of a legislative council. The members of this last named body were appointed for life by the Crown, which also named the Governor General for Lower and a Lieutenant Governor for Upper Canada. The British Parliament reserved to itself, however, the right to regulate the trade and commerce of the two Canadas and to determine what navigation dues should be paid. In addition, the duties imposed by the Quebec Act of 1774 continued to remain in force and could not be repealed by the local legislature. Besides the income from this source, the territorial revenues were under the exclusive control of the executive government, and the Houses of Assembly had only the right to dispose of the proceeds of such imposts as were collected under the authority of laws enacted by the legislature itself. Thus, with fixed and permanent sources of revenues at its command, the executive branch of the government was almost entirely independent of the legislature. In case the royal revenues proved insufficient to defray all the expenses of the government, recourse was had to imperial funds and the deficit was covered by the English military exchequer. This state of affairs continued without any marked change until the war of 1812.

Conflict between Executive and Legislature over Control of Taxation and Appropriations: 1812-1830. With the growth of the population in the two Canadas after 1800, the royal revenues began to prove more and more inadequate to meet the increasing expense of administering the affairs of the Provinces. On the other hand, the purely provincial revenues collected under the authorization of the local legislature showed a handsome surplus over the required expenditures. As before mentioned, it was the custom of the authorities to cover the deficit between the actual annual expenditure and the permanent revenue appropriated by Parliament towards its discharge out of the grant made by the imperial government for the support of the army. When the war of 1812 made the customary resort to military funds impossible, the government met the deficit in its finances by borrowing from the surplus moneys of the Provinces without first obtaining the consent of their respective legislatures.

As the spending of the provincial funds upon services for which no legislative appropriations had been made was highly irregular, the British Governor General felt constrained in 1817 to ask the local Parliaments officially to sanction such illegal outlays. Since the sources of permanent revenue did not equal the annual permanent charges for the provincial civil list, the executive branch was compelled to ask the legislature from this time on for an annual grant of funds to help defray the expenses of the government. This marked the beginning of a long and bitter constitutional struggle for the control of the public purse-strings between the appointees of the Crown and the elected representatives of the people.

When this contest began, considerable dissatisfaction had already manifested itself on account of the action of the Government in naming only a certain favored group for office. The distribution of all the political patronage of the Provinces was in the hands of the Governor General and the British Ministry and was used in Upper Canada to further the interests of a political and aristocratic combination known as the Family Compact. This body held possession of all government offices to the exclusion of those favored by the mass of the voters. In Lower Canada, the numerically much superior French Canadian element formed the proscribed class and was denied appointment to office. Besides causing intense party differences, this inequitable attitude of the governing circle accentuated an already present and unfortunate race antagonism.

As one means of obtaining proper recognition at the hands of the Government, the leaders of the popular side in the Houses of Assembly endeavored to exercise sole control over both the funds levied under the statutes passed by the legislature itself and the proceeds of the duties imposed and regulated by the acts of the British Parliament. They therefore asserted the right to control the revenues of the

Crown and to vote the money for each item of expenditure. In this move, however, they were strenuously opposed by the Governors General, who regarded their proceedings as an unlawful invasion of the royal prerogative. Since the tenure of office of those officials was dependent on the Crown alone, they deemed it their duty zealously to uphold the privileges of the Crown against any encroachments on the part of the provincial legislatures.

Unable to bring any pressure to bear on the course of the executive head of the government, the Houses of Assembly were under a further disadvantage in that the upper branch of the legislature did not work in harmony with them. Thus, in 1819, the House of Lower Canada carefully went over the whole civil list of the Province and passed a supply bill in which the salary of every person in the employment of the government was specifically set forth. This measure was promptly rejected by the Legislative Council on the ground that it improperly assumed the right of Parliament to prescribe to the Crown the number and classification of its servants and would make their retention in office dependent on the whims of an elective body instead of during His Majesty's pleasure. Nor was there any way in which the political complexion of the Upper House could be changed. The designation of the members of the Legislative Councils lay entirely in the hands of the Governor General, and, when the conflict with the Houses of Assembly became acute, he took pains to see that only staunch upholders of the royalist point of view were appointed to the Upper Chamber.

Under these circumstances, it was difficult for the popular branch of the legislature to make headway in its struggle for control of the Crown revenues. As the principle that the executive and legislative branches of the government should be in accord had not been embodied in the legislation affecting the two Canadas, the governing coterie was entirely independent of the Houses of Assembly and under no necessity of heeding their wishes. Moreover, these bodies in their earlier days had passd certain permanent revenue acts, which could not be amended so as to give the Assembly annual control unless the Legislative Council gave its assent thereto. As the purpose of such amendments was only too well known, the upper branches of the legislature steadily declined to give this requisite consent. With both the Crown and the permanent sources of revenue voted by the local Parliaments more or less at its command, the executive government found it possible to carry on its functions even when the Houses of Assembly refused to vote certain needful supplies by simply obtaining assistance from the Imperial Exchequer. For example, the Governor General advanced in both 1822 and 1823 £30,000 from the military funds at his disposal towards the expenses of the government of Lower Canada. The House of Assembly regarded his course of action as unwarranted and rejected the claim put in for the reimbursement of this amount.

As no coordination existed between various branches of the government the executive authorities and the legislature frequently became deadlocked over the question of supplies. The leaders of the popular party were regarded as undesirable because they had opposed granting the demands of the government in full and were regularly excluded from office. On the other hand, their most uncompromising opponents were appointed to all the high official positions. This unfair treatment caused great resentment and party passion ran high in consequence. In view of the dangerous political dissensions prevailing in the Provinces, it was patent to all observers that some remedy for the existing unsatisfactory state of affairs would have to be found.

Introduction of Responsible Government: 1831-1841. As a first step towards allaying the growing unrest and the constantly increasing friction between the executive and legislative branches of the provincial governments, the British Parliament passed an act in 1831 permitting the legislatures of the two Canadas to devote the proceeds of the duties levied under imperial statutes towards the expenses of the local governments. This left only the relatively insignificant territorial or casual revenues still subject to the disposition of the Crown. While this surrender of the main sources of Crown revenues appeased the legislature of Upper Canada and led to the making of a permanent provision for the civil list and the salaries of the judiciary, the Assembly of Lower Canada still remained dissatisfied. Determined to gain control of the Crown's casual revenues also, and to force the governing branch to obey its wishes, the Lower Canadian House actually refused for four years to make any proper provision for the carrying on of the public service. So acute did party feeling become over the continued failure to redress the grievances of the people and to allow them a proper voice in the government that open rebellions against British authority occurred almost independently of each other in the two Canadas in 1837. Although quickly suppressed, they had as a consequence the suspension of the constitution of Lower Canada and the sending of Lord Durham by the British Ministry to report on the best method of allaying the prevailing popular discontent.

Lord Durham's Report. After a long and careful investigation into Canadian affairs, Lord Durham submitted in January, 1839, an elaborate report to the Queen in which he made various suggestions for remedying the political and social ills besetting the two Canadas. In order to render certain the ultimate predominance of the English element of the population, he advised that the two Provinces be reunited and also urged that "harmony in place of dissension between the various powers of the State" should be secured by introducing the British system of responsible government. This last desideratum was to be accomplished by confining within much narrower limits the interference of the imperial authorities in the details of colonial affairs, and by issuing instructions to the colonial governors to intrust the administration of public affairs to such men only as could command the support of a majority of the members of the Houses of Assembly.

In the course of his report, Lord Durham also recommended that the right to introduce bills calling for the expenditure of public money be taken away from the individual members of the Assembly. The reasons for this most important proposed change can best be given by quoting his own language:

> It is necessary that I should also recommend what appears to me an essential limitation on the present powers of the representative bodies in these colonies. I

> consider good government not to be attainable while the present unrestricted powers of voting public money and of managing the local expenditure of the community are lodged in the hands of an Assembly. As long as revenue is raised, which leaves a large surplus after the payment of the necessary expenses of the civil government, and as long as any member of the Assembly may, without restriction, propose a vote of public money, so long will the Assembly retain in its hands the powers which it everywhere abuses, of misapplying that money. . . . If the rule of the Imperial Parliament, that no money vote should be proposed without the previous consent of the Crown were introduced into these colonies, it might be wisely employed in protecting the public interests, now frequently sacrificed in that scramble for local appropriations, which chiefly serves to give an undue influence to particular individuals or parties.[1]

The same slipshod methods regarding the appropriation of public moneys prevailed, in fact, in all the British North American colonies. Speaking of former conditions in the Province of New Brunswick, a writer of considerable prominence observes as follows:

> The business of the legislature was conducted with a loose hand. There was no restriction by the Government upon the expenditures; but every member had access to the public chest, in his own way, for the benefit of his constituents, without regard to system, calculation or economy. The Budget was formed not as now by the Provincial Secretary, with the whole Government answerable for it; but in a haphazard way, every member, no matter how outre his ideas of trade, having an equal voice in its preparation. There was no Board of Works at this time. The public moneys were expended on roads, bridges, etc., in accordance with the wants or wishes of the inhabitants of particular districts, afford-

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[1] Lord Durham's Report, British Parliamentary Edition, p. 117.

ing large jobs sometimes to favorites and active supporters of candidates for the Assembly. The most influential members, whether in the House or with their constituents, generally managed to get the lion's share in the supply distribution. It was not then, as now, contrary to law for a member to hold a plurality of offices under the government. . . . In some instances half a dozen offices were held by one member; such members furnished a strong body-guard to support their employers, and to aid in perpetuating a system so favorable to the money-spenders and oppressive to the taxpayers; hence the storms and differences that arose on every effort being made in the Assembly to reform the system under which these and cognate abuses existed. The surrender of "The Initiation of the Money Grants" (as recommended by Sir Wm. Colebrook) was stoutly resisted by the House, as an encroachment upon the liberties of the people. Honorable members knew too well the value of "holding the purse strings" in their own hands, and how their interests were best subserved, to surrender without a struggle privileges which gave them such an immense advantage.[1]

Again, in regard to the want of system in preparing the government estimates, he says:[2]

There seemed to be a great deal of groping in the dark. The Initiation of the Money Votes resting with the House, there was no estimate made by anyone for the respective public services for which moneys were required. There was no individual responsibility in the matter. Members were like vessels at sea without rudder or compass—subject to the fluctuations of the winds—sums were proposed by any member and carried, for all sorts of purposes, without due consideration as to whether the treasury contained money enough upon call to satisfy the demands. There could have been no better system in the world for running the Province into bankruptcy. If commerce is beset by a calm and stagnates, and the revenues are prosperous, it is an inducement to over-burden the supply book with new amounts, based upon frivolous pretexts. When money is plentiful, favorites are not forgotten. Thus from year to year we were brought closer to the verge of the precipice, so that whenever a commercial panic ensued, which was periodically so common to the trade of this Province, we were without money and without credit.

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[1] G. Fenety, Political Notes and Observations, Fredericton, 1867, p. 30.

[2] Ibid. p. 203.

How this lack of responsibility on anyone's part in the preparation of the annual budget disastrously affected the financial equilibrium of the Province is well illustrated in the following extracts from a speech delivered in 1842 by Hon. Charles Simonds, the head for the time being of the New Brunswick Government:

> Five years ago he found the Province in a highly flourishing condition—the treasury full and business of all kinds in successful operation. The Province now is entire prostrate—deeply in debt and no means at command to extricate it out of its difficulties. The revenue during the last five years affords an aggregate of £467,000; and the debt was now £133,000. The wants of Government to carry on its operations, independent of sums for roads and bridges, were £68,000 (per annum). It would then be seen what immense sums of money had been squandered, after the necessary expenses of Government had been paid. It was not the fault of one individual, or of any number of individuals, but the fault of the abominable system that favored so much prodigality. This was the system throughout: help me and I'll help you. There was no check whatever in the expenditure of the public moneys. The very same system was observed in England previous to 1706, and precisely the same consequences flowed from it. The

people bestirred themselves in the matter and succeeded in overturning it.[1]

When the English Ministry decided to adopt Lord Durham's recommendations and sent out the future Lord Sydenham to carry them into effect, the new Governor General found a similar condition of financial chaos existing in the two Canadas. "The finances," he wrote, "are more deranged than we believed even in England. The deficit, £75,000 a year, more than equals the income." Concerning the conduct of parliamentary business, he unbosomed himself as follows:

> You can form no idea of the manner in which a Colonial Parliament transacts its business. I got them into comparative order and decency by having measures brought forward by the Government. But when they came to their own affairs, and, above all, to the money matters, there was a scene of confusion and riot of which no one in England can have any idea. Every man proposes a vote for his own job, and bills are introduced without notice and carried through all their stages in a quarter of an hour. One of the greatest advantages of the union will be that it will be possible to introduce a new system of legislating, and, above all, a restriction upon the initiation of money votes. . . . The change will be decidedly popular, for the members all complain that, under the present system, they cannot refuse to move a job for any constituent who desires it.[2]

Initiative in Voting Public Money Confined to Executive. In accordance with Lord Durham's recommendation, the British Parliament on July 3d, 1840, passed an act reuniting Upper and Lower Canada "to form one Province for the purpose of executive government and legislation." This statute provided for a

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[1] Quoted in Fenety, Notes and Observations, p. 38.
[2] Scrope, Memoir of Lord Sydenham, London, 1844, p. 165.

Provincial Parliament, consisting of a legislative council—whose members were appointed by the Crown for life—and an elected Assembly in which the Provinces were allowed an equal number of representatives. A consolidated revenue fund was established and all appropriation bills were required to originate in the Legislative Assembly, which was forbidden to pass any vote, resolution or bill involving the expenditure of public money unless the same had been first recommended to it by a written message of the Governor General.

Because the new measure prescribed that only the English language should be used in Parliament, and allotted Lower Canada with its half as large again a population only the same membership in the Legislative Assembly as Upper Canada, the French Canadians were violently opposed to its adoption. Their resistance proved futile, however, and on February 10, 1841, the union of the two Provinces was officially proclaimed. The change to a responsible ministry form of government and the taking away from individual members of the popular branch of the legislature of the right to initiate the expenditure of public funds having thus been carried out in due course in the new Province of United Canada, the other British North American colonies were not long in following suit. By 1852, all had adopted the new system which Lord Durham had so warmly advocated as essential for the attainment of good government in England's colonial dependencies.

Parliament Attains Complete Control of Government Receipts and Expenditures: 1841-1867. According to the terms of the Union Act of 1840, which established the new Province of United Canada, the

British Crown surrendered control of the hereditary or casual revenues. Just as in the case of the amounts derived from the duties on foreign spirits imposed by the Imperial Parliament, the proceeds of the territorial revenues of Canada were paid henceforth into the treasury of the Province to be disposed of as its legislature might direct. The British Parliament still expressly reserved to itself, however, the right to levy dues and otherwise to regulate the trade and commerce of the colony. The last Canadian tariff imposed by England took effect on September 8, 1842, and it was not until four years later that all the British colonies in North America were authorized to reduce or alter the duties on foreign goods. In 1849, the imperial government repealed the restrictive navigation laws and, for the first time, allowed the St. Lawrence River to be visited by vessels of all nations. From this time on, the Legislative Assembly of Canada exercised entire control over government receipts and expenditures, and the English principle—that the elected House should impose all the taxes and vote the supplies—came at last into full effect.

Events Leading to Confederation. As mentioned above, Upper and Lower Canada were united into one Province by the imperial statesman in the expectation that the British element in the population would gain the ascendency over the French Canadians. At the time this union took place, Upper Canada had incurred the large debt of $6,000,000, mainly for internal improvements. On the other hand, Lower Canada was free from indebtedness and had a surplus of $300,000. When it came to the question of revenue, a similar inequality soon manifested itself. For every $70 paid by

Upper Canada into the common treasury, Lower Canada contributed but $30.

Since the two subdivisions were equally represented in the new Legislative Assembly, the members from Lower Canada—who represented the French Canadian elements—speedily secured the reins of power. By their unity of action, they were not long in obtaining a complete dominancy over public affairs and were able to secure the repeal in 1848 of the clause prohibiting the use of the French language in parliamentary debates. This ascendency they naturally used to further the interests of their own section as much as possible and spent the government funds lavishly among their own constituencies.

Although Upper Canada contributed more than two-thirds of the total receipts, only about one-quarter of the government's revenues were expended for its benefit. Aside from resenting this unfair discrimination, the people of this part of the Province were gravely disquieted by the growing public debt and the waste and extravagance of a government, which they seemed powerless to overthrow. When the plan, therefore, of a confederation of all the British North American colonies was earnestly broached in 1862, it met with an especially warm reception in Upper Canada. Irrespective of its other advantages, it was welcomed as a means of escape from the, to this region, unprofitable and unpopular union with the rest of Canada.

Previous to the formation of the Dominion, both the United Canadas and the so-called Maritime Provinces—namely, Nova Scotia, New Brunswick and Prince Edward Island—had derived the major part of their provincial revenues from customs duties. Indeed, fully four-fifths of the receipts of the Province of Canada between 1841-1867 were obtained from this source. As the new confederation was to have the sole right of levying custom and excise duties thereafter, its sponsors speedily realized that the project for a Dominion government could not be carried into effect unless the prospective loss of their customs revenues could be made good to the Provinces in some fashion or other. Since the Canadian people have exhibited a not surprising aversion to direct taxation, a resort on the part of the Provinces to this method of raising funds for government purposes was not to be thought of. Hence, if the plan of confederation was not to suffer shipwreck, some way had to be devised for overcoming this difficulty.

Federal Assumption of Provincial Debts. The scheme ultimately worked out and adopted was as follows: On its formation, the new Dominion government was to take possession of and maintain certain property and public works belonging to the various Provinces whenever they formally entered the Union. Title to all provincial railways, canals, light-houses, post offices, custom houses, armories, etc., was to pass at once to the Dominion. But, inasmuch as the Provinces had incurred more or less heavy debts in acquiring the property and in completing the public works to be thus transferred, it was felt that the central government should, in all fairness, assume the provincial indebtedness so incurred. Accordingly, it was agreed that the Dominion government should shoulder the debts of the various Provinces with this proviso, however, that no Province was to be allowed to throw on the Dominion an indebtedness in excess of $25 per head of its population as ascertained by the last official census. Should the finally established debt of any Province exceed $25 a head, it was to pay interest at the rate of five per cent per annum on this excess amount to the Dominion treasury. But, in case the debt proved to be less than $25 a head, the Province was to receive interest—also at the rate of five per cent—from the Dominion treasury on the difference between its actual debt and the fictitious indebtedness which it was entitled to charge up against the Dominion. By subsequent legislation passed in 1873 and 1884, the per capita allowance to the Provinces for debt reckoning purposes was raised from $25 to $32.43.

Subsidies to the Provinces. As stated before, the Provinces were unwilling to accept confederation if it meant that they would have to impose direct taxes. When they agreed, therefore, to surrender to the proposed central government the exclusive right to levy custom and excise duties they made it a condition precedent that a certain portion of the revenue to be thus collected should be returned to them and in amount sufficiently large to enable them to carry on their provincial affairs without having recourse to direct taxation. Hence, the British North America Act not only relieved the Provinces of their obligations in the manner just described, but also bound the Dominion government to "make an annual grant in aid of each Province, payable half-yearly in advance." This grant or subsidy was made to consist of two parts. There was to be, first, a fixed sum for each Province for the support of their legislatures; and second, there was to be a per capita grant. The two together were to constitute the provincial subsidy, which, in amount, it was estimated, would be needed for the maintenance of the provincial government.

The four original Provinces, New Brunswick, Nova Scotia, Quebec and Ontario, were allowed $50,000, $60,000, $70,000 and $80,000, respectively by the Dominion towards the expenses of their legislatures. The per capita subsidy was made "equal to eighty cents per head of the population, as ascertained by the census of 1861, and, in the case of Nova Scotia and New Brunswick, by each subsequent decennial census until the population of each of these two Provinces amounts to 400,000 souls, at which rate such grant shall thereafter remain." Apparently it was thought that the sum of eighty cents per head would yield a sufficient amount to cover the wants of the Provinces and it was doubtless for that reason that this figure was agreed upon.

It was conceded by the advocates of confederation that the wiser plan would have been not to consent to the plan of federal subsidies for the various Provinces, but to compel the local governments to provide for all local outlays and to meet their expenditures by adopting a system of direct taxation. They correctly foresaw that "when you have a spending power that is not under an obligation to find the means it spends, you have a spending power that is more likely to tend to extravagance than to economy."[1] Nevertheless, in order to bring about the much desired union, they very reluctantly had to concede the bestowal annually upon the Provinces of Dominion government subsidies to an aggregate amount of $2,630,000. But they tried to prevent any further spread of the subsidy evil by providing that the subsidies originally granted could not be increased beyond the amounts specified in the Act of Confederation itself. It was anticipated that, as their population grew, the Provinces would be compelled to introduce a system of direct taxation in order to eke out the meagerness of their revenue. Contrary to what the founders of the Dominion desired or expected, however, the Provinces are still fighting shy of direct taxation and the Act of Confederation, as will be explained hereafter, was amended in 1907 so as to provide for the grant of greatly increased provincial subsidies.

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[1] Hon. Mr. Foster—Can. Hansard, 1906-07, p. 5317.

Subsidies to the Newer Provinces. Since the confederation of the four original Provinces in 1867, Manitoba, British Columbia, Prince Edward Island, Saskatchewan, and Alberta have become component parts of the Dominion in the order named. When, in 1870, Manitoba applied for admission, the question arose whether the new territories were to derive from the provincial subsidy and the assumption of debt provisions of the Dominion constitution benefits similar to those enjoyed by the original Provinces. The view finally prevailed that all future applicants for admission should be treated on the same basis as the Provinces first entering the confederation. Inasmuch as these original Provinces had been relieved under the terms of the British North America Act of all their indebtedness incurred for local improvements, they in effect had secured all the advantages of these improvements without cost to themselves. It was seen, therefore, that it would be unfair if the newer Provinces were not similarly assisted by the Dominion and enabled to acquire public buildings and local improvements free of cost. When Manitoba entered the Union, therefore, she was allowed a grant for the expense of her legislature as well as the eighty cents per head subsidy and was also credited by the Dominion government with a certain assumed indebtedness, based on its estimated population, on which interest was allowed at the rate of five per cent yearly. The same treatment was accorded to the other Provinces, which thereafter became members of the confederation.

Changes in Debt Assumption Provisions. When the scheme of provincial debt allowances was originally formulated, the intention was that the sums placed to the credit of the different Provinces under the head of debt account should remain intact and that only the interest due on these amounts should be paid over to the Provinces. With only this interest money at their disposal, however, the Provinces speedily found that they could carry out but little in the way of public improvements. Accordingly, they caused the Dominion Parliament to pass an act in 1874,[1] which permits the Governor General, with the advice of his councilors to advance at his discretion to any Province such sums as may be necessary for local improvements, provided, however, that the sums so advanced do not in the aggregate amount to more than the difference between the assumed indebtedness credited to the Province when it entered the Union, and its actual debt for which the Dominion has made itself responsible. Within the limits thus specified, the statute sanctions, therefore, the withdrawal of the moneys to the credit of the Provinces with the Dominion for the purpose of assisting in the construction of provincial public works. In 1885, another section was added requiring the provincial legislatures to join in the application to the Governor General for the withdrawal of such moneys instead of leaving the making of the request entirely in the hands of the provincial governments as theretofore.

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[1] Since confederation, the Federal provincial subsidies have been revised more than twenty times.

While the Provinces as a result of this legislation acquired a species of reserve fund, which could be drawn upon in times of emergency to meet the cost of new public improvements, none of the funds thus placed at their disposal could be used in defraying the everyday expenditures of the provincial governments. As the expenses of these governments were constantly mounting on account of the growth of population and, as it became increasingly difficult for them to make both ends meet without resorting to direct taxation, a movement began in 1887 to secure an increase in the direct subsidies granted to the various Provinces by the Dominion. At the same time, the marked rise in the revenues of the central government served to stimulate this agitation.

Whereas, at confederation, one-fifth of the Dominion's total receipts had been distributed as subsidies among the provincial governments, this proportion had dwindled to less than one-ninth by 1884. Enjoying as it did superabundant revenues, a general feeling prevailed that the central government ought to contribute more towards lightening the financial burdens of the Provinces. Since all the local governments profited under the provincial subsidy arrangement and all alike were interested in having its benefits extended, no effective opposition was to be expected to the proposition to have the provincial subsidies increased. The difficulties of amending the British North America Act, however, prevented any change from being effected until 1907. In that year, the direct grants to the Provinces for the support of their legislatures were considerably increased and the amount of the same made to vary in accordance with the size of the population. At the same time, the per capita subsidy to each Province was fixed at eighty cents a head until the total population should reach two and one-half millions and at sixty cents a head upon each soul in excess of this number.

These changes in the original subsidy provisions of the British North America Act have been explained and defended as follows:

> I have never been able to see why in the case of the smaller Provinces it should be determined that we, recognizing the principle of payment by population, should say: "We will give you a share of the Dominion revenues, but the moment your population reaches 400,000 the subsidy beyond that must stop, and you will get no increase." Now, every soul added to the population of a province after the 400,000 limit, adds to the burden of local Government. You need more roads, you need more schools. Every one of the items which enter into the outlay of provincial governments is increasing with the increased population of the Province. Why, under such conditions there should be such a limit stipulated, I have never been able to understand. I think the proposal, which is involved in this resolution, of a subsidy per head of the population, to continue and increase as the population increases is a sound one. . . . It is a reasonable proposition that one Province with a population of a couple of millions will not need at every point as much per capita as another Province with a small population. Just as the proportionate cost of any business is reduced as the business expands, so the great Province of Ontario could get along with a less sum per head for certain purposes than British Columbia or Nova Scotia or any of the smaller Provinces. I am sure

that that idea must have been present to the minds of the fathers of Confederation.[1]

On the other hand, it was said in opposition that—

the Government ought to have made a full examination not only into the expenditures of the Provinces for a series of years, but also into their sources of revenue; and before immense sums were voted out of the Dominion treasury, the Government should have carefully pointed out to the different Provinces both those expenditures which might have been deemed extravagant, and the need of utilizing all the resources in the great franchises of the Provinces as available means for replenishing their treasuries.[2]

Whether the readjustment of the Dominion subsidies effected in 1907 will permanently satisfy the Provinces is an open question. In the last few years, the revenues of the Dominion government have been growing by leaps and bounds and large surpluses of receipts over ordinary government expenditures have been the rule. This state of affairs has aroused the cupidity of the Provinces, and the idea has been frequently mooted of late that the provincial subsidies should again be periodically revised upwards. It is true that the readjustment of 1907 was termed unalterable, but no insuperable difficulties exist which would prevent the upsetting of this so-called final settlement.

Any legislation of the Parliament of Canada, whether we use the word "final" or not, of course, we can from time to time amend. But by these resolutions it is proposed that an Imperial Act shall be passed providing that, for the purposes mentioned in section 118 of the British North America Act, which deals with the subsidies to the provincial governments and legislatures, the sums therein proposed shall be final. . . . If, therefore, in the face of an imperial enactment, this Dominion Parliament should see fit, for one reason or another, to make some special grant to any particular Province, nothing that we or the Imperial Parliament can do will prevent it. But as there have been differences in the past owing to provincial jealousies over the provincial subsidies, we have thought it well to make some effort to have the present arrangement made final. . . . We have undertaken to do this by asking the imperial authorities to declare that the sums granted the several Provinces for certain purposes shall, for those purposes, be final and unalterable.[1]

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[1] Hon. W. S. Fielding—Can. Hansard, 1906-07, pp. 5324 and 5327.

[2] Hon. Mr. Foster—Can. Hansard, 1906-07, p. 5316.

Although Canada's assembled representatives adopted such a declaration of finality, the Imperial Parliament omitted to insert the word "final" in its enabling act. It is hardly likely that the English government would refuse to sanction a change which might be demanded hereafter both by the Dominion Parliament and the individual Provinces. Since the Provinces regard the Dominion subsidies paid them, not as voluntary donations from the central government, but as an established right which they acquired when they agreed to confederation, it is safe to say that an attempt will be made sooner or later again to amend the subsidy regulating clause of the British North America Act in favor of the Provinces. On a later page, the resultant evils and the necessarily demoralizing effect of the Dominion system of provincial subsidies will be pointed out.

Under the title "Provincial Accounts," the payments made each year by the Dominion government to each of the Provinces are set forth in an annual volume "Public Accounts" prepared and submitted to the

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[1] **Hon. W. S. Fielding—Can. Hansard, 1906-07, 5330.**

Minister of Finance by the Deputy Minister of Finance. In the accounts thus stated, it will be found that there are certain minor fiscal relations between the Dominion and the Provinces other than those relating to the interest on debt allowances and per capita subsidies. The purposes of this report do not make it necessary, however, to consider these special or less important items.

CHAPTER IV

GENERAL ADMINISTRATIVE PRACTICES

Canada's Fiscal Year and Sessions of Parliament. When the Province of United Canada was formed in 1841, the colony's fiscal year coincided with the calendar year. In 1864, however, the fiscal year was changed and made to begin on July 1. The reason for this deviation from the original practice has been stated as follows, by one who had been himself mainly responsible for bringing this about:

> The change in the fiscal year from December 31st to the 30th of June was not done without very grave consideration. It was then felt that the governing circumstance in the estimates for this country was the harvest. The 30th of June was the period of the realization of one harvest and in advance of the reaping of the ensuing one. The returns, therefore, were made up to the time when the product of one harvest was completely exhausted, and when the estimates for the future year were necessarily based upon the results of the preceding harvest. They found that when the public accounts were made up to the 31st of December before Parliament met, and this was not usually in March or April under the old system but towards the end of February or early in March, it was impossible to get them ready to lay before Parliament and to assist in its deliberations during the session. It was thought by going back to the 30th of June there would be no difficulty in having the public accounts and the departmental reports ready to be laid before Parliament when it assembled.[1]

After the formation of the Dominion, a law was passed in 1868 directing that the period June 30 to June

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[1] Mr. Holton—Can Hansard, 1877, p. 1766.

30 should constitute the Canadian financial year. Less than a decade later, however, an agitation arose to have the financial year begin at an earlier period in the year. The moving cause for this proposed change was the increasing frequency with which Parliament met during the winter months. Unlike the Congress of the United States, the Parliament of the Dominion does not begin its annual sessions on any fixed date prescribed by law. The time of convening is thus selected by the Administration.

In the early days after confederation, the Canadian Parliament was usually summoned at the beginning of spring. As the amount of business to be dispatched increased with the growth of the country, it became more and more the custom to call Parliament in session earlier in the year. This made it more difficult to prepare the necessary financial statements for the information of the House of Commons. As explained by one of the Ministry of the day:

> Very great inconvenience had been experienced as matters now stood, owing to the circumstance that the financial year terminated in the center of two working seasons. It was a matter of very considerable difficulty at a distance of eighteen months to produce accurate estimates, particularly for such departments as those of public works, marine and fisheries and the interior; and these difficulties had been very seriously aggravated by the great increase in their territory which had taken place during the last three or four years. Moreover, since their practice of meeting very early in the year in February and perhaps earlier occasionally considerable difficulties had arisen in the proper preparation of the public accounts; despite all the zeal and diligence the officers of the department could use, they found it barely possible to get the accounts in readiness to lay on the

table when the House met; and it was scarcely possible with all their diligence for ministers to have a sufficient length of time to become acquainted with them. Some confusion had occasionally arisen in consequence, and he was afraid that this confusion would tend to increase in the future. In former years, this was by no manner of means the case because, as the House was aware, the average time for the meeting of Parliament was usually in March or April. With a view to remedying these defects, he proposed to change the fiscal year so as to assimilate the period for the closing of their accounts with the period at which the accounts in Great Britain were closed, and this was about the 31st of March.[1]

In accordance with this recommendation, Canada's fiscal year was finally changed in 1906 so as to begin on April 1. The statute now reads that "the public accounts shall include the period from the first day of April in one year to the thirty-first day of March in the next year, which period shall constitute the fiscal year."[2]

Since this change took effect the Canadian Parliament has met as a rule earlier than formerly and has even begun its sessions in November. One considerable advantage derived from this earlier convocation of Parliament is the possibility, if the estimates are voted promptly, of starting out-of-door work on public improvements as soon as weather conditions permit. In a country with a long winter season like Canada, failure to begin new construction before mid-summer often leads to costly delays.

Mr. McIntyre—They did not commence work on the breakwater until late in the fall, which is not the proper time to do work in such an exposed position. The work should begin in the summer when the weather is calm.

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[1] Sir Richard J. Cartwright—Can. Hansard, 1877, p. 1765.

[2] Section 50 of Consolidated Revenue and Audit Act.

Sir Hector Langevin (Minister of Public Works)—I cannot begin to work unless the money is voted, and, as the session finishes generally about May or June, we cannot begin at the very beginning of summer.[1]

One reason why we have changed the fiscal year is that the money may be available before the summer is nearly over. These works cannot be proceeded with in the winter, and when the House rises in July or August it is impossible for public works to be gotten under way before the winter sets in. If this year we get the supply bill sanctioned within the month of April, there is a fair chance of letting the contract and having the work done during the season.[2]

Consolidated Revenue Fund. Following the English example, provision is made for a Consolidated Revenue Fund constituted of "all public moneys and revenue over which the Parliament of Canada now has the power of appropriation." In this connection it is to be observed that the principle thus adopted of covering into one fund all the revenues of the government is more consistently followed than it is in Great Britain; for there, as is shown in the volume on the System of Financial Administration of Great Britain, the receipts from certain of the services are not paid into the Consolidated Fund but are retained and used by the departments collecting them under authority given by Parliament in what are known as "Appropriations in Aid."

This English practice finds no place in the Canadian system and commendably so. By Section 35 of the Audit Act it is declared that "all public moneys, from whatever source of revenue derived, shall be paid to the credit of the account of the Minister of Finance and

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[1] Can Hansard, 1886, p. 1262.

[2] Mr. Fisher—Can. Hansard, 1906, p. 6054.

Receiver General through such officers, banks or persons, and in such manner as the said Minister, from time to time, directs and appoints."

The same section goes on to provide that all moneys "received by any officer, clerk or employee of the Senate or House of Commons of Canada as fees or sums in any way payable in connection with any proceedings before Parliament" shall be paid into the Consolidated Revenue Fund, and the same provision is made regarding refunds. By Section 37 it is declared that—

> The Minister of Customs, the Minister of Inland Revenue, the Postmaster General, and all other Ministers, and Deputy Ministers, officers, clerks or persons charged with the receipt of public moneys, shall cause the gross revenues of their several departments or offices to be paid at such times and under such regulations as the Minister of Finance, from time to time, prescribes, to an account to be called the account of the Minister of Finance and Receiver General, at such bank or banks as are determined by the Minister of Finance.

And by Section 38 it is declared that—

> Every officer of the Customs or of the Inland Revenue and every officer otherwise employed in the collection of the revenue, receiving money for the Crown, shall deposit the same to the credit of the account of the Minister of Finance and Receiver General.

The comprehensiveness of these provisions is still further emphasized by the section of the act devoted to definitions, in which it is declared that—

> In this Act, unless the context otherwise requires—"public moneys," "public revenue" or "revenue," means and includes and applies to all revenue of the Dominion of Canada, and all branches thereof, and all moneys, whether arising from duties of customs, excise or other duties, or from the post office, or from tolls for the use

of any canal, railway or other public work, or from fines, penalties or forfeitures or from any rents or dues, or from any other source whatsoever, whether such moneys belong to Canada or are collected by officers of Canada for or on account of or in trust for any Province forming part of Canada, or for the Government of the United Kingdom or otherwise.

Basis upon which the Public Accounts are Rendered. As is pointed out in the report on the British financial system, there are two methods of keeping the public accounts; the one upon an accrual basis, the other upon a cash basis. The first is founded upon the principle of keeping separate and intact all the revenues and expenditures of a given year whether or not, in fact, they are actually paid in or out during the twelve months of that year. This is the system adopted by France. According to the second system, the accounts of each year show the amounts actually received or paid out by the Treasury during the year without regard to whether or not, from a logical or commercial standpoint, they pertain to that year. Canada has followed the example of Great Britain and the United States in adopting the second or cash system.[1]

Closing of the Accounts of the Fiscal Year: Rule as to Lapsing of Unexpended Balances. When the first Dominion Parliament was called upon to pass legislation in regard to the public accounts, British precedents were closely followed. The law that was finally enacted provided that the public accounts should include the period from July 1 to June 30 [since changed to read from April 1 in one year to March 31 in the next], and that "all estimates submitted to Parliament shall be for the services coming in the course of payment during the financial year; and all balances of appropriations which remain unexpended at the end of the financial year shall lapse and be written off."[1]

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[1] The relative advantages of the two systems are discussed in the report on the Financial Administration of Great Britain, p. 25 et seq., and, still more fully by Stourm in his work, The Budget, a translation of which has been published by the Institute for Government Research. See also H. C. Adams, The Science of Finances, p. 201 et seq.

The clause relating to the treatment of unexpended balances has been elucidated as follows:

> Under that clause, all amounts unexpended at the end of the term for which money may be voted are written off. If $100,000 have been voted and if at the end of the term but $75,000 have been spent, the remaining $25,000 are not carried on to any future service, but must be written off, and a new vote taken for everything wanted for that service thereafter.[2]

Not long after the passage of the Public Account Law, however, it became apparent that the attempted copying of the British plan of having the public accounts close immediately on the expiration of the fiscal year would prove unworkable in Canada, the reasons for which may be shown by quoting the words of a member of the Parliament:

> The close of the fiscal year and the close of the accounts of the fiscal year are two very different things. In Great Britain, the fiscal year closes on the 31st of March, and the accounts close immediately; all balances lapse, and the new year begins with the appropriations for the year. That is quite possible in a country like Great Britain, with a comparatively small area, a dense population, and means of communication by railway, telegraph and telephone, which are, of course, beyond the means of communication in a country of such vast

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[1] 31st Victoria, Ch. 45, Sec. 38.

[2] Hon. Christopher Dunkin, Financial Statement to Quebec House of Assembly, 1868.

extent as the Dominion of Canada. It was, therefore, necessary to allow a certain period after the close of the fiscal year for the closing of the accounts. As a matter of fact, after the close of the fiscal year 1904-05 no less than $17,000,000 came into the accounts between that time and the period allowed by the regulations for the closing of the accounts. The payments made between the closing of the fiscal year and the closing of the accounts last year were more than the total expenditures of the Dominion for several years immediately following the beginning of the union.[1]

Besides failing to adhere to the British rule as to the time for the closing of the public accounts, the Canadian authorities in 1876 brought about a change in the provision of the law concerning the lapsing of unexpended balances of appropriations. The innovation was introduced (which is still in effect) of allowing the government by means of an order in council to extend for a period of three months the time within which appropriations made for the expiring fiscal year might be expended.

The present law upon this point is found in Section 50 of the Consolidated Revenue and Audit Act, which reads as follows:

The public accounts shall include the period from the first day of April in one year to the thirty-first day of March in the next year, which period shall constitute the fiscal year; all estimates submitted to Parliament shall be for the services coming in course of payment during the fiscal year; and all balances of appropriation which remain unexpended at the end of the fiscal year shall lapse and be written off: Provided, That upon cause being shown to the satisfaction of the Governor in Council, he may, by order in council to be made before the first day of May each year, extend the time for finally closing the account of any appropriation, for a period of not more than three months from the end of the fiscal year, after the expiration of which extended time, and not before, the balance of such appropriation shall lapse and be written off.

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[1] Hon. W. S. Fielding—Can. Hansard, 1906, p. 3820.

The concession thus granted, it is to be emphasized, is not one which permits any new obligation or liability to be incurred after the expiration of the fiscal year. It simply makes it possible, for three months after the expiration of that year, to use funds granted for that year to be used in payment of liabilities that have been incurred but not yet paid during that year. This construction was definitely settled as long ago as 1888, by an order in council.[1]

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[1] Order in Council, June 27, 1888.—The Treasury Board had under consideration a communication from the Auditor General respecting the interpretation of Section 37 of the Audit Act, which provides for the extension of time for closing the Appropriation Accounts.

The Auditor General states that he understands the Section to mean: "That an appropriation account can be kept open for any time fixed by the Council, up to three months, for the purpose of charging against a vote all services or supplies for which the vote was taken, that is, those rendered before June 30."

As the present practice of bringing down the balances of appropriations for three months, and thereby lengthening the financial year to fifteen months, has been productive of delay in the preparation of accounts for Parliament, and with the view of definitely deciding what course should be followed, the matter was referred to the Department of Justice for opinion.

The Deputy Minister of Justice reports: "The question is, whether, upon an Order in Council having been passed as specified in the Section, a department may make additional expenditures and incur increased liabilities upon the strength of the original estimate; or whether the extension referred to in the Section is only for the purpose of enabling a department to pay after June 30, liabilities that have been incurred previously to that date. It would appear that the latter interpretation is the correct one. The Section, without the proviso, categorically provides that any balance unexpended on June 30, shall lapse, and be written off. The proviso does not either expressly or by implication, give a department power to make a new expenditure, and if that power is not contained in the proviso, it is nowhere; it does not exist. The only meaning to be drawn from the proviso is that the extension is made for the purpose of paying, after June 30, out of the original appropriations, such accounts as had at that date been incurred."

The Board, after careful consideration of the matter, recommended to

It is to be observed that any amount spent out of the sums voted by Parliament during such extended term is treated as an expenditure chargeable to the new fiscal year despite the fact that the appropriation was made on account of the fiscal year already passed.

Our rule is that everything spent after the 1st of July is charged to the present year. The law does not allow us to charge to the past year, but only to prolong the period during which the money can be spent, and it must be charged within the year in which it is spent.[1]

Revotes of Lapsed Estimates. As a necessary sequence to the system of lapsing appropriations in vogue in Canada, revotes of sums already once granted by Parliament are often unavoidable. In the case of public improvements, especially, the amounts placed at the disposal of the government very frequently cannot be expended within the twelve months time limit even if the utmost diligence be observed. Hence, if the work already started is to be carried to completion, Parliament must revote the unused balance of the original appropriation.

In the British budget practice, the theory is to have a revote of an estimate cover simply the unexpended balance of the amount previously appropriated. The items are not inserted in the estimates unless it is intended to spend the money asked for during the coming fiscal year.

The Government cannot find in all the history of the

Council that for the current fiscal year the present practice be retained, so that no inconvenience may be experienced by the departments, the Auditor General having intimated that he is willing that for the present year such course be adopted; but as the law is clearly in accordance with the contention of the Auditor General, the Board are of opinion that under existing circumstances the practice now followed cannot be continued. John J. McGee, C. P. C.

[1] Hon. Sir Richard J. Cartwright—Can. Hansard, 1878, p. 2467.

British Parliament any precedent for sums of money being placed in the estimates and voted, prima facie to be expended, when the Chancellor of the Exchequer knew that it was absolutely impossible to spend them.[1]

In the Dominion, however, the practice is being more and more followed of inserting items of expenditure in the estimates, particularly in regard to public works which the authorities themselves fully realize cannot possibly be carried out or proceeded with within the period of a year. Nevertheless, even though an improvement has not been started and no likelihood exists of getting it under way in the near future, Parliament is asked to revote the amount first asked for. Consequently, many of the revotes of the Canadian House of Commons dispose not of an unexpended balance, but make a reappropriation of the entire amount originally voted. This is illustrated by the history of the appropriation for the proposed new drill hall in the city of Ottawa.

> This is one of the old hardy annuals. I do not know when we started in with this new drill hall, but I see that it appears in the Estimates for 1912-13, 13-14, 14-15, 15-16, and 16-17. This is the fifth time that we have been asked to vote this item for the same amount of $50,000.[2]

As will be explained at further length hereafter, the practice of swelling the Canadian estimates of public expenditures by items which cannot be spent in the immediate future has produced various evils. Without attempting to enumerate them all at this time, the following excerpts from the Dominion House of Commons debates, both dealing with revotes, can be here advantageously quoted:

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[1] Mr. MacDonald—Can. Hansard, 1916, p. 2940.

[2] Mr. Sinclair—Can. Hansard, 1916, p. 2940.

It is a very bad principle for Parliament to vote money when it is not expended. The idea is to have money available in the event of an election, so that the government can become active in spending it. We should not encumber our estimates from year to year with these revotes.[1]

I think that the system of voting money every year without using it, is entirely wrong. Unless it is clearly shown to the Minister that it is absolutely necessary a public building be erected in the near future, the vote should not be taken. You keep that vote standing from year to year and do nothing with it. If by the accidents of life, that constituency should become vacant, you can use this vote to carry the election and it thus has a corrupting influence.[2]

Capital and Revenue Accounts. One of the peculiarities of the Canadian budget practice is the attempted distinction between capital and revenue expenditures. In the public accounts of the Dominion, the estimates for the department of public works first recite certain proposed expenditures chargeable to capital and a further list of intended appropriations chargeable to income. But amounts spent on public works are not the only expenditures of the Dominion government charged to capital account. Under the same category have been placed at various times expenditures on Dominion lands, the Canadian militia, and the former Northwest Territories, advances to the Canadian Pacific and other railways, and the debts allowed to the Canadian Provinces. Of the total expenditures of the Dominion from the beginning of confederation, to the close of the fiscal year 1915, $2,166,551,376.71 were charged to the

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[1] Mr. Sproule—Can. Hansard, 1906-07, p. 6054.

[2] Mr. Sproule—Can. Hansard, 1902, p. 721.

See Appendix 3 (c) for revotes in government estimates.

Consolidated Fund or ordinary revenue account, and $563,286,916.92 to capital account.

As the following quoted passages will show, no hard and fast rule has been adhered to in determining what items shall be credited to capital account:

> There is one phase of this public expenditure, which has always been to me a considerable mystery. That is the rule of the department as to what shall be charged to capital and what to revenue account. It seems difficult to understand how the construction of a lighthouse may be charged to revenue account but the construction of a permanent pier is to be charged to capital account.[1]
>
> Mr. Ames—Does it not seem strange to charge carpets and matting that wear out in the course of a few years to capital account?
>
> Mr. Pugsley—It has been the practice, I believe, ever since confederation to charge the original furnishings of buildings at the capital to capital accounts.[2]
>
> At Ottawa, the Parliament buildings and the various departmental buildings are not paid for out of current yearly revenue, but are charged to capital account.[3]
>
> In Ontario, amounts spent on public buildings are not charged to capital account, while here [Quebec] amounts expended for repairs are ascribed to capital.[4]
>
> The Capital Account as kept by the Government is a useless and misleading system. Road machines to the amount of $7978, have been placed in that account charge for rights of way, never opened for public use and temporary repairs of all kinds abound there. Even the cost of tearing down an old bridge is charged in this account.[5]

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[1] Mr. Ames—Can. Hansard, 1906-07, p. 5871.

[2] Can. Hansard, 1909, p. 1258.

[3] Budget Speech, Ontario, House of Assembly, 1898.

[4] Mr. Nantel—Quebec, House of Assembly, December 12, 1890.

[5] Journal, Prince Edward Island, House of Assembly, 1908, p. 143.

While there has been a lack of consistency in maintaining this distinction between capital and revenue accounts the practice has been defended. It has been claimed, for example, that the government's credit is enhanced and the sale of its securities aided by the establishment of a capital account.

> This [new Parliament building] is a real asset as it represents a building of great value. It is only right that the money expended on objects of this nature should appear as a set-off against our consolidated debt. In this way, our financial position would be better appreciated at home and abroad, and would give increased confidence to investors in our securities.[1]

More could be said for this plea if the assets set up against the debts of the various governments were always of a lasting nature or, where perishable, had their value replaced by means of a sinking fund. But this is not the case. Much of the indebtedness of the Canadian Provinces has been contracted for the purpose of building improved roads and bridges which do not constitute imperishable public improvements.

> Every honorable gentleman knew that the steel bridge was not any more enduring than a wooden bridge, if it was not carefully looked after from year to year. There was an old story of $600,000 borrowed for road purposes, which could not be considered an enduring monument so far as capital expenditure for permanent work was concerned.[2]
>
> It was a sound principle that if the country were getting something of a lasting character, it might be necessary to borrow money for the purpose of getting public works. But, if the money went into public works that were not permanent the Province would eventually

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[1] Hon. Joseph Sheyn, Budget Speech (Quebec) December 9, 1890.
[2] Mr. Tanner—Nova Scotia Assembly Debates, 1915, p. 201.

have nothing to show for the permanent debt. Money spent upon a railway secures in return something of a permanent character, but would money expended on roads and bridges secure in return a permanent asset? No.[1]

In Canada the aim has been not so much to bring about an equilibrium between the total revenues and outlays of the government as to have the revenues and expenditures chargeable to revenue account balance.

In place of revenue and capital accounts, the expression ordinary and extraordinary expenditure is frequently employed.

There never was a government in this Province or any other Province of Canada or in the Dominion, which took into consideration capital expenditure for the year in endeavoring to place before the country a statement of their financial operations for the year showing the surplus which they had. It was always the ordinary revenues and expenditures which were given.[2]

Since no clearly fixed line has existed in Canada between capital and revenue appropriations, items of expenditure can be shifted at the whim of the Government from one account to another.[3] Hence the government of the day is under a constant temptation to manipulate the public accounts, in order to make a favorable financial showing. Thus in 1888, the Dominion Minister of Finance was able to report a small surplus in place of an anticipated deficit by crediting the receipts from the sale of government lands in the Northwest to income instead of to capital account as had been the custom in preceding years.

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[1] Mr. Wilcox—Nova Scotia Assembly Debates, 1895, p. 148.

[2] Hon. Dr. Landry—New Brunswick Assembly Debates, 1915, p. 54.

[3] "Collingwood Harbor, Rainy River and Nanaimo Harbor, just the kind of expenditure we have been doing for years out of consolidated revenue fund, I find have been charged to capital. There seems to be no reason why they should be differentiated from other expenditures of like kind. It entirely vitiates all possible comparisons that can be made." Mr. Foster—Can. Hansard, 1896, 2d session, p. 2549.

Often the distinction is made use of merely to hide rapidly growing expenditures.

There seems to be a tendency to lessen the amount chargeable to Consolidated Fund by charging these amounts to capital when they ought to be charged to Consolidated Fund. I hold that the Government is not warranted in doing this. It creates confusion in our financial statements, and the comparisons between the expenditures of the different years cannot properly be made. The present Government have charged $600,000 for Dominion lands to capital which were formerly charged to income, and here are other instances where these gentlemen may conceal one or two million dollars of expenditure in a year or two, by charging to capital what ought to be charged to Consolidated Revenue. I protest against this mode of manipulating and doctoring the accounts.[1]

The distinctions that have been made in the past few years between ordinary and special or extraordinary expenditures have been delusive and intended to cover up the actual deficiency of the revenue to meet its legitimate obligations and have also been made the excuse and ground for contracting loans.[2]

Regarding the desirability of distinguishing between expenditures for capital outlays and for current expenses there can be no question. The attempt on the part of Canada to make this distinction must therefore be held to be one of the merits of its system of financial administration. It is evident, however, from the foregoing, that the advantages that should accrue from this policy have been almost wholly lost through the failure on the part of the government to apply the principle adopted properly in practice. This has been due to two things: First, a failure to define what expenditures shall be deemed to be capital outlays and rigidly to adhere to such definition; and, second, a deliberate misuse of the distinction for the partisan purpose of concealing the real trend of government expenditures. The whole experience of Canada in respect to this feature of its system of financial administration furnishes another illustration of the necessity that there shall exist what is aptly termed a treasury conscience, as well as features nominally conforming to proper principles and practices.

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[1] Mr. Charlton—Can. Hansard, 1884, p. 1604.

[2] Hon. John S. Hull, Budget Speech (Quebec), December 5, 1893.

CHAPTER V

EXECUTIVE EXPENDITURES WITHOUT LEGISLATIVE SANCTION

It is a fundamental principle in all systems of responsible government that no sums of the public moneys shall be expended without specific authority duly granted by the legislature. This rule is nominally accepted in Canada.

> The very ABC of our parliamentary constitution is this: that no money shall be expended by the Government of this country without the previous sanction of Parliament. I need not waste words, I hope, in this House in elaborating so simple and well known a proposition as that.[1]

Governor General's Warrants. It will be found, however, that the rule is frequently honored in the breach. It cannot be said, however, that the practice is illegal, since provision is made for it in the various dominion and provincial audit acts. In the case of the Dominion, the statute reads as follows:

> If, when Parliament is not in session, any accident happens to any public work or building which requires an immediate outlay for the repair thereof, or any other occasion arises when any expenditure not foreseen or provided for by Parliament is urgently and immediately required for the public good, then upon the report of the Minister of Finance and Receiver-General that there is no parliamentary provision, and of the Minister having charge of the service in question, that the necessity is urgent, the Governor-in-Council may order a special warrant to be prepared, to be signed by the Governor-

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[1] Sir Richard Cartwright—Can. Hansard, 1891, p. 4537.

General for the issue of the amount estimated to be required.[1]

The clause just cited marks a radical departure from England's budget procedure.

The clause of this statute has been frequently called a most peculiar provision. It was not intended to give great scope to the Executive. It is not to be found in the English system. There is not in England a case where the Executive can spend money that has not been appropriated by Parliament.[2]

We alone, I believe, of all the English-speaking communities that have self-government, have given to the Executive this power of obtaining money by means of Governor's warrants. So far as my research has gone, there is no such authority in England, and, so far as I know, there is no such authority in any of the other colonies. Our case is one in which we have thought fit to delegate to the Executive, under exigencies mentioned in the Act of Parliament, the power to get money which the people had not thought fit to vote.[3]

Governor General's warrants were known in the British North American colonies long before confederation and their employment was authorized by one of the earliest statutes passed by the first Dominion Parliament. Originally these warrants were intended to be resorted to only under the two conditions enumerated below:

For instance, suppose there is no parliamentary appropriation made by Parliament for any repair or extra work upon this parliamentary Chamber in which we are concerned; and suppose that in the interim of the session a fire takes place, and this Chamber is partially or totally destroyed and it is necessary that it shall be repaired or rebuilt for the approaching session of Parliament; then, in that case, the condition precedent is complied with, and a Governor-General's warrant may issue, under the Act which I have quoted, for a sufficient sum of money to repair or replace this Chamber. If there is a public wharf at which a large and important amount of business is transmitted, and by a storm or other accident it is destroyed, and the conditions of trade and commerce make it, in the public interest, urgent that it shall be at once repaired or replaced, and, if there be no parliamentary appropriation and the accident has not been foreseen, then, in that case, a Governor-General's warrant may issue, and the work may be replaced or repaired. There is also a second condition precedent, and it is this: when any other occasion arises for an expenditure which is not foreseen or provided for by Parliament, and for which there is an urgent and immediate necessity.[1]

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[1] Chapter 29, Sec. 49—Victoria R. S. C.

[2] Sir Charles Hibbert Tupper—Can. Hansard, 1896, 2d Session, p. 692.

[3] Mr. McCarthy—Can. Hansard, 1896, 2nd Session, p. 735.

Instead of being sparingly resorted to only in the cases just described as primarily contemplated, the practice in the Dominion for many years was to issue Governor General's warrants for large amounts and on all sorts of occasions.

In the year 1879-80 the government at Ottawa expended under the authority of order-in-council without the authority of Parliament, or took authority by order-in-council without a vote by Parliament to expend the sum of $685,253. For the expenditure of that amount they had no parliamentary authority but simply the power of "might." In the year 1880-1881 Governor-General's warrants were drawn for the sum of $845,000. For this there was no vote by Parliament. In 1882-1883 Governor-General's warrants were drawn for sums amounting to $589,000. For the year 1883-1884 Governor-General's warrants were drawn for the sum

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[1] Mr. Foster—Can. Hansard, 2nd Session, 1896, p. 623.

> of $1,175,000. In 1884-1885 Governor-General's warrants were drawn for $734,000. In 1885-1886 Governor-General's warrants were drawn for the sum of $3,884,221. This is sufficient to show that there is authority for such expenditure outside of the mere annual vote of Parliament.[1]
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> I find that from 30th May, 1890, down to 28th April, 1891, Government took authority by Governor-General's warrants to demand no less than eighty-seven separate sums, aggregating $1,680,317. . . . It appears to me that a very large number of these warrants have been issued under circumstances which in no way warranted their use. I have not time to go through with them all in detail, but I will instance one which was issued on 28th April, 1891. That was a grant of $75,000 to the Canadian Pacific Railway Company for post office expenditures under a certain Order-in-Council passed on 10th February. I submit that in no shape or way did that particular item come within a fair construction of the clause in the Audit Act, which alone gives power to issue Governor-General's warrants. That was not caused by any sudden accident to a public building, nor was it one of those classes of expenditures which require urgent and immediate action as contemplated by that Act. The Canadian Pacific Railway Company was abundantly well able to wait for their money until Parliament had voted it, and there was in that case as in many others, no reason, no justification whatever for paying this sum of money over without the consent of Parliament.[2]

The warrant to the Canadian Pacific Railway Company just referred to was issued on the very day preceding the meeting of Parliament. A similar case occurred in 1888. To the criticism which has been quoted, the following *tu quoque* was made:

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[1] Mr. Fielding—Nova Scotia, House of Assembly Debates, 1889-90, p. 241.

[2] Sir Richard Cartwright—Can. Hansard, 1891, p. 4538.

> The honorable gentleman finds fault with the present Government for having asked a Governor-General's warrant to meet current expenses immediately maturing, in the face of Parliament meeting, and without an appropriation bill having been passed for these expenditures. Now, let us see what the honorable gentleman did in 1888. In that year Parliament met on the 23rd of February. On the 22nd of February, the day before Parliament met, the honorable gentleman obtained a Governor-General's warrant for the sum of $477,000 to pay the working expenses of the Intercolonial Railway. There was no appropriation previously made for that sum.[1]

So long as the order in council is passed before Parliament meets, the warrant may be legally issued even though it be not actually signed by the Governor General until after Parliament is in session. An instance of this kind occurred in 1887, when a warrant properly authorized by the Governor in Council before the convening of parliament did not actually receive His Excellency's signature until the day after Parliament had met.

Through the employment of Governor General's warrants, the estimates could be and were manipulated to suit the exigencies of party politics.

> I have collected quite a number of cases in which Governor-General's warrants were obtained by the late Government, and in which the obtaining of these warrants was an abuse. We know perfectly well that in 1887 they were very anxious to avoid the appearance of any increase in the Estimates. They were about to go before the people and were anxious to show that the

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[1] Mr. McMullen—Can. Hansard, 2nd Session, 1896, p. 799.

dawn of the new era of reduction had made its appearance, and that the people might look with some little hope to seeing their expenditures decreased in the future. What did we find these honorable gentlemen then doing? Why, Mr. Speaker, they kept in the background no less than sixteen items for which the House should have been asked for appropriations, and then, after the elections were over they secured Governor-General's warrants to pay these items. They got by means of a Governor-General's warrant $125,000 to pay the costs of the Windsor and Annapolis Railway. They got by the same means $46,000 to pay for walks and drives and bridges at the Banff Hot Springs. They got $32,000 to pay for rebellion losses. Surely these things were well known, and could have been provided for in the Estimates submitted to the House.[1]

Frequently Governor-General's warrants were used as a means of increasing the size of or replenishing exhausted appropriations. Thus in 1892, $394,000 was spent by the Dominion authorities on the construction of two bridges across the Lachine Canal for which Parliament had only appropriated $170,000.

The vote of Parliament for $170,000 was evaded by the device of a Governor-General's warrant, and while authority of Parliament had been obtained to spend on that special work $170,000, the Government illegally and unconstitutionally used the Governor-General's warrant, by which means they expended $394,000.[2]

The practice just referred to has been severely and very properly condemned.

To pretend that a Government has the right to issue special warrants to supplement an exhausted appropriation is in direct violation of the principle by which supplies are granted and admits of no justification in law or in the Constitution.[1]

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[1] Mr. McMullen—Can. Hansard, 2nd Session, 1896, p. 800.
[2] Mr. Davies—Can. Hansard, 1895, p. 2837.

Through this extension in the use of Governor General's warrants to cases where expenditures for ordinary purposes were alone involved, the administration in Canada was in effect enabled to appropriate money freely whenever Parliament was not sitting for such objects as it saw fit. Perhaps the most remarkable instance of this occurred in 1896. In that year the Conservative party in office was torn by dissensions. As a consequence of this, the expiring Parliament adjourned on April 23rd without having voted any appropriations for the fiscal year beginning July 1. An election occurred thereafter which resulted in a change of government, and the new Parliament was summoned to meet on July 16. On July 13, Parliament was prorogued to meet on August 13 and, on the following day, Sir Wilfrid Laurier, the new Premier, inquired of the Minister of Justice whether "a special warrant can be issued to provide for the payment of" certain government employees. In response to this inquiry, the Law Officer of the Crown gave it as his opinion that the payment of these employees was "urgently and immediately required for the public good" within the meaning of the statute, and that the Governor in Council might properly order a special warrant to be prepared to be signed by the Governor General for the amount deemed requisite. Pursuant to this advice, warrants authorizing the expenditure of $2,006,022 were issued and, although Parliament had failed to appropriate any funds therefor, the salaries of the employees involved were paid for two months. This action of the Government called forth the following comment:

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[1] Mr. Atwater—Quebec, House of Assembly, February 10, 1899.

> What is the first precedent which we are establishing, if we do not call in question the conduct of the government? The precedent is this, that the Executive can take power to themselves to expend public money even though Parliament has deliberately refused to grant this money. . . . The Executive can sit in judgment upon the decisions of the House of Commons in reference to the expenditure of public money, can determine that this House has improperly withheld supplies and can then vote to themselves the supplies in the Council Chamber, and with a strong hand, by means of Governor-General's warrants, can take money which this House has refused.[1]

In another chapter, the practice of resorting to Governor General's warrants will be referred to again. The gravest objection to them is contained in the following words of the late Sir Richard Cartwright:

> If you are going to allow the Government to spend millions of the public money without the slightest reference to Parliament in the fashion I have now indicated, I say there is an end to all proper parliamentary control over Government expenditure.[2]

Abuse of Governor General's Warrants not Considerable since 1896. The power granted to the Governor General to issue special warrants is one that can be and has been abused. It may, therefore, be said to constitute a defect in the Canadian system of financial administration. It is, however, to be pointed out that the last twenty years exhibit few abuses of this authority. It thus appears that the Canadians have appreciated the evils of the earlier practice and now avoid them. At the same time it has not been deemed necessary to take away from the Governor General the power in question. And, as to this, it may indeed be said that if it became a fixed and binding tradition that these warrants shall not be issued except in cases of real emergency, it may be expedient that their legality should remain undisturbed.

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[1] Mr. McNeil—Can. Hansard, 2nd Session, 1896, p. 833.

[2] Quoted in Can. Hansard, 2nd Session, 1896, p. 629.

Excess Expenditures. For expenditures under orders of the Governor General there is, as we have seen, statutory authority. The financial accounts of Canada show, however, expenditures for which there is no legal warrant. These expenditures occur where by accident 1
or by practical necessity the expenditures exceed the amounts specifically voted by Parliament.

The deliberate overriding of the will of the legislature by the executive branch was supposedly ended with the introduction of responsible government after 1840. 2
Yet, without securing the authorization of Parliament, the Government of the United Canadas advanced money to the Grand Trunk Railway in 1861. In 1862, the Government again spent a large sum on the Parliament buildings at Ottawa beyond the sum appropriated by Parliament and was said "to have become somewhat careless of public interests." Such unjustifiable use of the public funds was one of the moving causes of confederation.

The misgovernment and mismanagement of the administration which ruled in Canada from 1855 to 1862 resulted in the scheme of Confederation.[1]

Up to 1864, in Old Canada, there had been abuses, there had been expenditure without parliamentary sanction, and the public mind was stirred in regard to these growing irregularities in connection with the expenditure of public money.[1]

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[1] Sir Charles Hibbet Tupper—Can. Hansard, 1896, 2nd Session, p. 694.

During the first years of responsible government, therefore, the Canadian Parliament failed to maintain complete control of the public purse strings. For many years, now, however, the deliberate disregard by the Executive of legislative directions with reference to the expenditure of public moneys has not so often occurred, and expenditures in excess of parliamentary grants have been for the most part due to oversight or miscalculations unavoidable under any system. With regard, however, to expenditures on public improvements made through the Public Works Department there is furnished evidence of a reversion to ante-responsible government conditions. This matter of public works will be more specifically discussed in a later chapter.

In the annual reports of the Auditor General the appropriation accounts contain four columns under the heads, respectively, "Grant," "Expenditure," "Grant Not Used" and "Grant Exceeded." All over-expenditures are thus set forth in detail, and an item is inserted in the next Estimates to cover the total amount of these excess outlays. Thus in 1909, an appropriation of $238,876 was inserted in the Estimates "to cover unprovided items 1907-08 as per Auditor General's report." This item was explained by the Minister of Finance as follows:

> For very many years an item of this character has been brought forward. It is a bookkeeping entry which the Auditor-General desires for the closing up of his accounts. In some branches of the department, it will be found that the grants have been greater than the

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[1] Sir Richard J. Cartwright—Can. Hansard, 1880, p. 545.

> expenditures, but in some other branches the expenditure is somewhat greater than the grant. . . . If the excess is large, the Auditor-General will refuse to pass it, but if small he lets it pass and asks that an indemnity be given. In this way $300,000 may seem very large, but distributed over the total business of Canada, in a year, it is not excessive.[1]

On another occasion it was said:

> At the end of each fiscal year when the expenditures under the innumerable appropriations are adjusted, it has always been found that here and there throughout the service there have been small over-expenditures. These are all reported in the Auditor-General's report as indicated in the item above, and a sum inserted in the supplementary estimates at the next session to legalize the total of these over-expenditures. While in the total appropriations of a department there may be large amounts unexpended, if there is any over-expenditure in a subhead of the total vote, such over-expenditure is reported by the Auditor-General. The total amount of $228,664.18 is made up of amounts from 43 cents upward. In large and varied services these over-expenditures are discovered too late to enable a supplementary estimate to be made at the time the over-expenditure was discovered.[2]

Fixed and Controllable Expenditures. In Canada the custom prevails, both in the Dominion and in the Provinces, of differentiating between expenditures which are required to be made in accordance with the provisions of previously enacted permanent statutes, and those which are made pursuant to votes approved by the legislature when enacting the annual supply bills. These two classes of outlays are generally designated as fixed and controllable expenditure and correspond respectively to what in England are known as the Consolidated Fund and the Supply Services. In the Dominion, however, both classes of expenditures appear without differentiation in the report entitled "Public Accounts" and in the reports of the Auditor General as charges upon the Consolidated Fund. In the "Estimates," both in the summaries and in the detailed tables, the two classes of items are stated in separate columns headed respectively "Expenditures authorized by Statute" and "Expenditures for which votes of Parliament are required."

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[1] Mr. Fielding—Can. Hansard, 1909, p. 3466.

[2] Sir Thomas White—Can. Hansard, 1916, p. 3271.

The principal items in the Estimates authorized to be paid by statute are the interest on the public debt, the subsidies to the different provinces and the salaries of judges and of other permanent officials. For many years these fixed expenditures declined in relative importance. Constituting $17,597,217.27, or nearly one-half of the $36,075,445.97 of the main estimates for the fiscal year 1890-91, they formed but $31,291,657.73, or barely two-ninths of the $146,786,126.42 original estimates submitted for the year ending March 31, 1915. Owing to Canada's active participation in the European war, however, and the anticipated triplication of the debt of the Dominion, the tendency is now the other way. For some years to come, at least, the fixed appropriations will form an appreciably higher proportion of the Dominion government's main estimates than was the case during the quinquennial period 1909-14.

CHAPTER VI

THE ESTIMATES: PREPARATION AND SUBMISSION

Preparation of the Estimates. In accordance with the essential principles of the budgetary system copied from Great Britain, every appropriation of public moneys by the Parliament must be based upon an "estimate" and a recommendation made to it by the Executive. This is a requirement imposed by the British North American Act itself. Section 54 of that instrument provides:

> It shall not be lawful for the House of Commons to adopt or pass any vote, resolution, address or bill for the appropriation of any part of the public revenue or of any tax or impost, to any purpose that has not been first recommended to that House by message of the Governor General in the session in which such vote, resolution, address or bill is proposed.

In the preparation of the Estimates the usual necessary routine is followed of requiring the head of each department to submit to the Minister of Finance the financial needs for the coming year of his own service, these demands being of course based in turn upon the figures supplied to him by the chiefs of his subordinate bureaus.

In the English system it will be remembered that the Treasury sends to each of the accounting officers of the several civil services a circular letter directing them to prepare and transmit the estimates for the coming year, and that this letter contains full instructions as to the form in which these estimates are to be drawn up; new proposals must be explained, comparative data supplied, and all requests justified even though no increases are asked for. The necessity for economy is also emphasized.[1]

It would appear that in Canada, because of the lesser general financial control granted to the Ministry of Finance, no such guiding and controlling instructions are issued. The standard letter requesting from the several departments their estimates reads as follows:

FINANCE DEPARTMENT,
Ottawa, Canada.

The Deputy Minister,
Ottawa.

SIR:

By direction of the Minister of Finance I have the honour to request that you will be good enough to forward to this Department as soon as possible the estimates of the various services of your Department for the financial year ending the 31st March, 1918.

I have also to request that you will furnish at the same time full information explanatory of the services provided for, especially in the cases of new or increased charges.

I have the honour to be, Sir,
Your obedient servant,
DEPUTY MINISTER OF FINANCE.

The Minister of Finance, or rather the Deputy Minister, who is the active administrative head of the Finance Department, is expected to scrutinize with care the various departmental estimates sent in to him, with a view to seeing that they are reasonable in amount, and that, in the aggregate, they do not go beyond the amount that the Government deems may expediently be asked of Parliament. Where deductions are considered desirable the matter is taken up more or less informally with the minister concerned and the effort made to obtain his agreement thereto. The entire estimates are then brought before the Cabinet as a whole for approval and decision upon points which have not been fully decided, and when submitted to the House of Commons have, of course, the political support of the Government as a whole. It still remains true, however, that the individual ministers are held especially responsible for the estimates appertaining to their respective departments.

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[1] For the text of this circular letter together with comments thereon, see the report by the Institute for Government Research on the "System of Financial Administration of Great Britain," pp. 52ff.

Under responsible government, the minister cannot ask a vote from this House without first being convinced himself of the absolute necessity of the expenditure; then he must convince his colleagues that the vote should be submitted to the House, and then he must have the approval of the Governor-General on the ground that the expenditure is in the public interest.[1]

Control by the Minister of Finance. In this account of the preparation of the Estimates it will of course be seen that though the Minister of Finance may have a certain amount of personal or political influence upon the other ministers, there is no approach to that system of effective Treasury control which is such a conspicuous and beneficent feature of the British financial system. The Canadian Cabinet as a body has, as has been said, and must have under any true system of cabinet government, a final determination as to the estimates which are to be submitted to the Parliament. But this is a kind of control which is far different from, and much less effective than, the control exercised by the British Treasury which is not itself, except in very slight measure, a spending service, but has for its function the maintenance of a day-to-day control over expenditures in the other services, and whose approval must be asked before an estimate can be included in the budget.[1] The slight degree of supervising and moderating authority exercised by the Canadian Ministry of Finance is shown in the practice, which will be presently referred to, of inserting in the Estimates many items which are urged by private members of Parliament.

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[1] Hon. Mr. Haggart—Can. Hansard, 1903, p. 1262.

It is required by law in Canada that "the Governor-in-Council shall, from time to time, determine the number of officers, chief clerks, clerks, messengers and other employees required for the workings of the several departments in each division of the public service."[2] Thus the ultimate responsibility for any increase in the number of official servants is placed on the entire Cabinet. The procedure to be followed when such an increase is desired has thus been described:

> The House is entitled to have the opinion of the Cabinet before any proposition is submitted to it to change the organization of any department. We are entitled to have first the recommendation to the ministers at the head of the department made by the deputy head. That recommendation ought to be on record. Then the matter should be brought before the Governor-in-Council and considered, and it is only on the approval of the Governor-in-Council that the minister at the head of the department has a right to ask Parliament to vote the money. This is not a mere matter of form. We are entitled to have the guarantee and pledge of the

[1] Appeals from decisions of the Treasury may be taken by the ministers concerned to the Cabinet as a whole, but these are not frequent.

[2] Civil Service Law, Section 6.

Governor-in-Council that the necessity exists for the change.[1]

Estimates for Public Works. When it comes to the initiation of public works, however, the salutary principle that the minister of the department must first be persuaded of the desirability of the proposed improvement is not strictly adhered to. Initial grants for new public works are only too frequently inserted in the Estimates upon the urging of some member of Parliament. Formerly requests for appropriations for public works were generally made by petition.

> It has been the invariable rule to allow the application to come from the people themselves. I have not gone to the Minister and asked him to make an appropriation simply on my own authority, but I have done it on the strength of a well-circulated and well-signed petition from the people of the community interested in that work. We place that before the Minister and he then sends down his engineer to inquire into the utility of this work.[2]

During recent years, the practice has arisen of inserting appropriations of this character in the Estimates merely because they were recommended by members of the House of Commons. This system of making appropriations has been warmly defended by certain party leaders.

> There is nothing wrong in a Minister taking a statement from a member of Parliament in whom he has confidence that a certain work in his county is necessary and desirable and putting a moderate appropriation in the estimates for that work, provided that the Minister, before he spends the money, has a proper investigation

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[1] Mr. Lennox—Can Hansard, 1903, p. 336.

[2] Mr. Mills—Can. Hansard, 1898, p. 7621.

made by his engineer and satisfies himself that the work is going to serve a useful purpose.[1]

What the inevitable outcome of this policy must be has been described as follows:

> What is the basis of estimates submitted to the House? That the public work is necessary, that it is known to be necessary by the Minister, who proposes the plan, that he will have the information, the plan, what he proposes to expend, the probable cost of the work, and the benefit of the work to submit to the House to justify the vote. Fancy a Chancellor of the Exchequer in Great Britain allowing a Minister to come down with a vote in this way and justifying it on the broad doctrine that all you have to do in order to get the House to vote your estimates is to have a request from a member who represents the county, with the statement of that member, that the work is one of necessity. Therefore you are going to make estimates on the request of members of Parliament.[2]

But if items are inserted in the Estimates at the request of legislators and they are permitted to say what expenditure shall be undertaken by the Public Works Department, the way is opened for the recurrence of the very evils which the English system of responsible government was to do away with. Under that system, the Ministry alone is supposed to be convinced of the wisdom of any proposed expenditure, and it was for that reason that the right to initiate money votes was taken away from the representatives of the people. But while nominally deprived of this right, the Canadian members of Parliament have, in the course of time, more or less regained it as far as the important Public Works Department is concerned, which affords the greatest opportunities for corrupt and wasteful government expenditure.

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[1] Hon. Mr. Fielding—Can. Hansard, 1898, p. 7599.
[2] Mr. Foster—Can. Hansard, 1898, p. 7608.

Cabinet Control. After the individual ministers have determined the extent of the appropriations required to carry on the work of their departments for the coming twelve months, the Cabinet as a whole passes upon the various requests submitted. As a rule, the demands asked for are not granted in full, but more or less radical reductions take place before the Estimates are deemed to be in a sufficiently satisfactory shape for submission to Parliament. In the language of a former Minister of Finance:

> This was my practice: I never allowed the Estimates to go out of Council to be brought down to this House until I had set before Council, in the first place, the amount for capital and the amount for ordinary expenditure which was asked, and then discussed the question with my colleagues as to about how far we could go. After we had settled that, the cutting down process took place.[1]

Once the nature of the Estimates has been determined by the whole Cabinet, the approval of the Governor General follows as a matter of course. He would in no event venture to disagree with the conclusions of his responsible advisers regarding the amounts to be spent on the various government services so long as they commanded a majority of the Lower House.

In determining the extent of the appropriations to be recommended to Parliament, the state of the public revenue is naturally taken into consideration. If prosperous conditions prevail and the national receipts exceed the amount anticipated, liberal appropriations and large supplementary estimates are the rule. Thus, the Dominion main estimates for the fiscal year 1913-14, when good times reigned in Canada, totalled $125,850,338.28 or $8,031,856.53 more than all the appropriations voted for 1912-13. Not content even with this notable increase, the Government later had supplementary estimates passed amounting to $17,361,476.64. On the other hand, when a period of financial depression has set in, a reduction in the estimates has been seen. Thus in 1909 Mr. Fielding reduced his estimates for the fiscal year 1909-10 over the preceding year by $22,581,000, of which nearly $9,500,000 was for ordinary and not capital expenditure.

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[1] Mr. Foster—Can. Hansard, 1896, 2nd Session, p. 2462.

Should the anticipated revenue prove insufficient to defray the government's expenditures even after all reductions in the estimates have been made, the initial suggestion as to new methods of taxation to cover the deficit rests with the Cabinet. But changes in taxation are comparatively infrequent in Canada for the reason that most of the national and provincial revenues are derived from permanent statutes which do not have to be reenacted annually like the English income tax.

When the requirements of the various government services for the approaching fiscal year are under consideration, the estimate finally arrived at is supposed to give the maximum anticipated outlay. No obligation rests on the Government, however, to spend the sum asked for.

> When I ask for a certain sum, it is not that I mean to say the Government intends to spend the whole, but that such is the limit within which the Government hopes to keep their disbursements for the term.[1]

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[1] Hon. Christopher Dunkin, Financial Statement (Quebec) 1868, p. 14.

Submission. When the time for the meeting of the Dominion Parliament arrives, the opening of the parliamentary session is signalized by a formal address of the Governor General delivered in person to the two legislative chambers. In this speech the condition and progress of Canada are reviewed and any proposed new legislation which the Ministry may have in contemplation is recited.[1] In addition, the members of the House of Commons are told that "the public accounts for the last year and the Estimates made for the succeeding year" will be laid before them without delay.

Pursuant to this promise the Governor General, generally within a short period after Parliament has been convened, transmits to the House, with a written message, the Estimates, as approved by the Cabinet, of the sums required to carry on the various public services for the coming fiscal year, and expressly recommends them to the House. The same procedure is followed when supplementary estimates have to be passed to provide for services which have been either inadvertently overlooked in the main estimates or newly established by Parliament.

Distinction between General and Supplementary Estimates. In principle a fairly clear distinction is made between the Estimates submitted soon after the convening of Parliament and constituting the expenditure statement of the budget and the Estimates submitted at a later date. The first known as Main Estimates, or simply Estimates, generally speaking, include only the figures for services and governmental activities already in operation. The estimates for distinctly new undertakings are ordinarily reserved for the supplementary estimates which are later presented.

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[1] "It is well understood that the formality of a Speech from the Throne—a formality which, like many of our institutions is derived from the Mother Country—is [illegible] enable a brief reference to be made to matters of administration and [illegible] ey to Parliament an idea of the important measures which will be submitted for their consideration." Mr. Hazen—Can. Hansard, [illegible] 8.

> It is not customary to place in the Main Estimates votes for works which are not initiated. The Main Estimates contain only votes for works which have been begun, and that is the reason why many works which will find a place in the Supplementary Estimates are not mentioned here.[1]
>
> It has been the custom of the Public Works Department, or at least for many years, to provide for new works in the Supplementary Estimates of the year.[2]
>
> The practice has been in the past to put in the Main Estimates items for all works provided for previously and not yet proceeded with, and in the Supplementary Estimates items for new works.[3]

But it should be remembered that the items in the supplementary estimates do not consist of votes for new public works alone.

> I said that all new works are in the supplementary estimates, but that does not mean that the supplementary estimates may not contain many items for other than new works.[4]

If any appropriation for a new public work has been once passed in the supplementary estimates, it is no longer regarded as a new item but is thereafter revoted as a part of the main estimates. Should it then be stricken out for any reason from the main estimates before any part of the money voted has been actually expended, any contemplated new appropriation in aid of the proposed improvement must be again put through the supplementary estimates.

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[1] Mr. Tarte—Can. Hansard, 1897, p. 2729.

[2] Hon. Mr. Sutherland, Minister of Public Works—Can. Hansard, 1903, p. 13029.

[3] Mr. Pugsley—Can. Hansard [illegible]11-12, p. 2366.

[4] Hon. Mr. Tarte, Minister of Public Works—Can. Hansard, 1902, p. 4619.

In the former estimates, Nova Scotia had for harbors and rivers $1,309,166 and in the present estimates only $445,075. Therefore the large sum of $824,066 has disappeared from the estimates of the Province of Nova Scotia. I understand from my honorable friend that a large amount of that money is to be replaced in the supplementary estimates; but why he should go through the form of striking them out of the estimates and putting them back a few weeks later has puzzled me.[1]

Thus, in the Canadian budget practice, the supplementary estimates are not limited simply to making provision for unforeseen expenditures. The objection to making such a use of supplementary estimates will be discussed later on.[2] Apparently the enlargement in their scope arose from a desire to facilitate the making of comparisons. By placing all items for new public improvements in the supplementary estimates, and by having the main estimates contain only appropriations for current governmental purposes, it was thought that the extent to which the party in power was conducting the affairs of the Dominion economically or extravagantly could be better determined. At least, no better explanation suggests itself for the original inclusion within the Canadian supplementary estimates of items of new expenditure for public works, which could have been readily prepared in advance and in time to be inserted in the main estimates.

In presenting supplementary estimates a distinction, however, is made between those having for their purpose the supplementing of appropriations for the current year and those relating to the year to come. Those of the first character are suggested and submitted as a separate estimate. None thus correspond to what are known as deficiency estimates in the United States. It is unfortunate that they are not so styled in order that the distinction between them and supplementary estimates proper might be more clearly maintained.

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[1] Mr. Sinclair—Can. Hansard, 1911-12, p. 2437.

[2] See p. 260.

Form of the Estimates. The general Estimates ordinarily form an octavo volume of approximately one hundred printed pages. The first table presented is a general summary of the total estimates classified by main services of the government. For each service there is shown the amount to be voted for the year to be financed, the amount already provided for by statute, the total of these two amounts, the corresponding total for the year in progress, and the increase or decrease of the former in comparison with the latter. The following table taken from the Estimates for 1918 shows the character of information given by this summary.

SUMMARY

Of the Estimated Expenditure of the Fiscal Year ending March 31, 1918, together with the sums granted for the Fiscal Year ending March 31, 1917, and a statement showing the Increase and Decrease for each Service.

No.	Service.	To be Voted 1917–18.	Authorized by Statute.	Total. — 1917–18.	Total. — 1916–17.	Compared with Estimates of 1916–17.	
						Increase.	Decrease.
		$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
I.	Public Debt, including Sinking Funds		57,720,215 52	57,720,215 52	39,649,759 81	18,070,455 71	
II.	Charges of Management	535,450 00		535,450 00	535,450 00		
III.	Civil Government	7,224,561 00	267,066 66	7,491,627 66	7,282,739 53	208,888 13	
IV.	Administration of Justice	88,183 34	1,455,200 00	1,543,383 34	1,505,095 94	38,287 40	
V.	Dominion Police	128,765 00		128,765 00	128,765 00		
VI.	Penitentiaries	978,800 00		978,800 00	979,700 00		900 00
VII.	Legislation	973,629 00	801,500 00	1,775,129 00	1,854,791 50		79,662 50
VIII.	Arts and Agriculture	3,122,000 00	1,100,000 00	4,222,000 00	4,313,000 00		91,000 00
IX.	Quarantine	248,000 00		248,000 00	248,000 00		
X.	Immigration	1,215,000 00		1,215,000 00	1,574,000 00		359,000 00
XI.	Pensions	8,426,231 03	337,580 16	8,763,811 19	3,365,213 17	5,398,598 02	
XII.	Superannuation		400,000 00	400,000 00	400,000 00		
XIII.	Militia and Defense	4,487,000 00	21,600 00	4,508,600 00	5,706,100 00		1,197,500 00
XV.	Railways and Canals—Income	509,500 00	55,000 00	564,500 00	23,817,850 00		23,253,350 00
XVII.	Public Works—Income	8,807,486 50	129,208 96	8,936,695 46	19,962,857 95		11,026,162 49
XVIII.	Mail Subsidies and Steamship Subventions	2,630,734 00	321,666 66	2,952,400 66	2,961,400 66		9,000 00
XIX.	Naval Service	2,270,400 00		2,270,400 00	2,203,400 00	67,000 00	
XX.	Ocean and River Service	1,444,800 00		1,444,800 00	1,455,800 00		11,000 00
XXII.	Lighthouse and Coast Service	2,201,900 00		2,201,900 00	2,407,600 00		205,700 00
XXIII.	Scientific Institutions	399,293 00		399,293 00	489,713 00		90,420 00
XXIV.	Marine Hospital and sick distressed seamen	78,000 00		78,000 00	83,000 00		5,000 00
XXV.	Steamboat Inspection	79,749 00		79,749 00	79,170 00	579 00	
XXVI.	Fisheries	1,194,900 00	160,000 00	1,354,900 00	1,384,900 00		30,000 00
XXVII.	Subsidies to Provinces		11,451,673 28	11,451,673 28	11,451,673 28		
XXVIII.	Mines and Geological Survey	430,020 00		430,020 00	507,400 00		77,380 00
XXIX.	Labour	78,500 00		78,500 00	78,500 00		
XXX.	Indians	1,741,960 00	205,290 00	1,947,250 00	1,965,650 00		18,400 00
XXXI.	Royal Northwest Mounted Police	1,158,169 00		1,158,169 00	1,123,335 00	34,834 00	
XXXII.	Government of the Northwest Territories	8,000 00		8,000 00	8,000 00		
XXXIII.	Government of the Yukon Territory	320,000 00		320,000 00	353,000 00		33,000 00
XXXIV.	Dominion Lands—Income	2,879,395 00		2,879,395 00	3,303,515 00		424,120 00

XXXV.	Miscellaneous	648,085 00	265,000 00	913,085 00	1,149,845 00		236,760 00
XXXVI.	Customs	4,215,000 00		4,215,000 00	4,215,000 00		
XXXVII.	Excise	1,300,318 75		1,300,318 75	1,157,876 25	142,442 50	
XXXVIII.	Weights and Measures, Gas and E. Light Inspection	393,950 00		393,950 00	367,950 00	26,000 00	
XXXIX.	Adulteration of Food	52,500 00		52,500 00	42,500 00	10,000 00	
XL.	Railways and Canals—Collection of Revenue	26,495,600 00		26,495,600 00	15,200,000 00	11,295,600 00	
XLI.	Public Works—Collection of Revenue	906,900 00		906,900 00	923,300 00		16,400 00
XLII.	Post Office	17,835,839 75		17,835,839 75	17,486,727 75	349112 00	
XLIII.	Trade and Commerce	2,159,595 33		2,159,595 33	2,233,495 33		73,900 00
	Total Consolidated Fund	107,668,214 70	74,691,001 24	182,359,215 94	183,956,074 17		1,596,858 23
XIV.	Railways and Canals—Capital	12,775,000 00		12,775,000 00	24,991,756 56		12,216,756 56
XVI.	Public Works—Capital	7,450,000 00		7,450,000 00	9,932,000 00		2,482,000 00
XXI.	Public Works—Capital—Marine Department	888,505 00		888,550 00	2,135,715 00		1,247,165 00
	War Appropriation				50,000,000 00		50,000 000 00
	Total Capital	21,113,550 00	74,691,001 24	21,113,550 00	87,059,471 56		65,945,921 56
	Grand Total	128,781,764 70	74,691,001 24	203,472,765 94	271,015,545 73		67,542,779 79

From this summary it will be seen that the estimates of expenditure from the Consolidated Fund are grouped under forty-three heads. With a few exceptions, these heads represent distinct services of the government, each conducted by a separate bureau, or, in not a few cases, by a separate department. The estimates of the cost of the offices of those bureaus or departments at Ottawa are, however, gathered together under the single head "Civil Government."

Following this summary are given, in the same order of services, the estimates proper arranged under appropriation heads or "votes" as they are technically called. In each case the estimates for the preceding year are given and the increase or decrease shown. Under each service is also given a table showing the items of expenditure already authorized by statute.

For illustrative purposes there are reproduced herewith the "votes" for the service "Civil Government" in the Estimates for 1917-18.

III.—CIVIL GOVERNMENT

Amount to be voted..$7,224,561.00

No. of Vote.	Departments.	Details.	1917–18.	1916–17.	Compared with Estimates of 1916-17.	
					Increase.	Decrease.
	(*A*) Estimates of expenditure for which Votes of Parliament are Required.		$ cts.	$ cts.	$ cts.	$ cts.
2	Governor General's Secretary's Office—	(*a*)				
	Salaries.................		26,250 00	25,600 00	650 00	
	Contingencies, including allowance of $600 to Private Secretary.........		66,600 00	66,900 00	....	300 00
3	Privy Council Office—	(*b*)				
	Salaries................		49,412 50	47,962 50	1,450 00	
	Contingencies............		10,000 00	10,000 00		
4	Administration of Justice—	(*c*)				
	Salaries, including J. P. Bill, at $4,000, and Miss G. Avery, promoted to Second Division, Subdivision B, at $1,200.......		154,437 50	150,224 37	4,213 13	
	Contingencies............		21,000 00	21,000 00		
5	Department of Militia and Defence—					
	Salaries, including H. M. Garrison at $1,850......	(*d*)	187,700 00	182,800 00	4,900 00	
	Contingencies............		19,500 00	19,500 00		
6	Department of the Secretary of State—					
	Salaries including P. T. Kirwan, promoted to First Division, Subdivision B; J. F. Champagne, promoted to Second Division, Subdivision A; M. J. Birdwhistle, promoted to Second Division, Subdivision B at $1,200........	(*e*)	76,737 50	77,412 50	....	675 00
	Contingencies............		16,000 00	16,000 00		
7	Department of Public Printing and Stationery—					
	Salaries.................	(*f*)	65,762 50	70,662 50	....	4,900 00
	Contingencies............		10,300 00	10,300 00		
8	Department of the Interior—					
	Salaries.................	(*g*)	1,191,255 00	1,171,655 00	19,600 00	
	Contingencies............		115,000 00	120,000 00	....	5,000 00
9	Department of Indian Affairs—					
	Salaries.................	(*h*)	126,862 50	125,700 00	1,162 50	
	Contingencies............		21,550 00	21,550 00		
10	Royal Northwest Mounted Police—					
	Salaries.................	(*i*)	21,712 50	20,650 00	1,062 50	
	Contingencies............		1,700 00	1,700 00		
11	Office of the Auditor General—					
	Salaries, including Assistant Auditor General at $4,500	(*j*)	143,850 00	138,350 00	5,500 00	
	Contingencies............		16,500 00	16,500 00		
12	Department of Finance and Treasury Board—					
	Salaries, including Assistant Deputy Minister at $4,500; Comptroller of Dominion Currency at $4,500; Accountant of Contingencies at $3,000; Commissioner of Taxation at $5,000; Assistant Commissioner of Taxation at $3,500..........	(*k*)	151,512 50	138,125 00	13,387 50	
	Contingencies............		30,000 00	28,000 00	2,000 00	

No. of Vote.	Departments.	Details.	1917–18.	1916–17.	Compared with Estimates of 1916-17.	
					Increase.	Decrease.
	(*A*) ESTIMATES OF EXPENDITURE FOR WHICH VOTES OF PARLIAMENT ARE REQUIRED.		$ cts.	$ cts.	$ cts.	$ cts.
13	Department of Customs—	(*l*)				
	Salaries................		328,100 00	328,237 50	....	137 50
	Contingencies...........		25,000 00	20,000 00	5,000 00	
14	Department of Inland Revenue—	(*m*)				
	Salaries................		180,412 50	173,250 00	7,162 50	
	Contingencies...........		22,000 00	20,000 00	2,000 00	
15	Department of Agriculture—	(*n*)				
	Salaries................		490,675 00	470,612 50	20,062 50	
	Contingencies...........		100,000 00	100,000 00		
16	Department of Marine and Fisheries—	(*o*)				
	Salaries, including A. R. Tibbits, transferred from the outside service at $2,800..............		207,950 00	217,000 00	....	9,050 00
	Contingencies...........		32,000 00	46,000 00	....	14,000 00
17	Department of Naval Service—	(*p*)				
	Salaries................		188,950 00	180,950 00	8,000 00	
	Contingencies...........		50,000 00	50,000 00		
18	Department of Railways and Canals—	(*q*)				
	Salaries, including Assistant to Minister at $4,500; F. M. Maclennan at $1,800; R. H. Lang at $1,800....		182,987 50	175,712 50	7,275 00	
	Contingencies...........		28,000 00	28,000 00		
19	Department of Public Works—	(*r*)				
	Salaries................		590,250 00	579,510 00	10,740 00	
	Contingencies...........		85,000 00	85,000 00		
20	Department of Mines—	(*s*)				
	Salaries................		381,985 00	368,312 50	13,672 50	
	Contingencies...........		5,500 00	7,000 00	....	1,500 00
21	Post Office Department—	(*t*)				
	Salaries................		842,820 00	819,370 00	23,450 00	
	Contingencies...........		125,000 00	125,000 00		
22	Department of Trade and Commerce—	(*u*)				
	Salaries................		133,700 00	131,912 50	1,787 50	
	Contingencies...........		15,000 00	15,000 00		
23	Department of Labour—	(*v*)				
	Salaries................		54,137 50	54,012 50	125 00	
	Contingencies...........		15,000 00	15,000 00		
24	High Commissioner's Office London—	(*w*)				
	Salaries................		21,650 00	20,550 00	1,100 00	
	Contingencies...........		58,151 00	36,676 00	21,475 00	
25	Departments Generally—	(*x*)				
	Contingencies—Care and cleaning of Departmental Buildings, including amount of $100 to E. Snowdon for firing noon gun.................		275,000 00	220,000 00	55,000 00	
26	General Consulting Engineer to Dominion Government—	(*y*)				
	Salaries................		7,600 00	7,600 00		
	Contingencies...........		150 00	150 00		
27	Department of Insurance—	(*z*)				
	Salaries................		30,737 50	29,162 50	1,575 00	
	Contingencies...........		26,000 00	25,500 00	500 00	
28	Department of External Affairs—	(*za*)				
	Salaries................		34,512 50	31,450 00	3,062 50	
	Contingencies...........		15,500 00	9,500 00	6,000 00	

No. of Vote.	Departments.	Details.	1917–18.	1916–17.	Compared with Estimates of 1916-17.	
					Increase.	Decrease.
	(*A*) ESTIMATES OF EXPENDITURE FOR WHICH VOTES OF PARLIAMENT ARE REQUIRED.		$ cts.	$ cts.	$ cts.	$ cts.
29	Office of the Conservation Commission—					
	Salaries................		37,650 00	36,100 00	1,550 00	
30	Department of Public Archives—	(*zb*)				
	Salaries................		53,425 00	52,925 00	500 00	
	Contingencies...........	(*zc*)	7,500 00	7,500 00		
31	Civil Service Commission—					
	Salaries................		33,075 00	32,587 50	487 50	
	Contingencies...........	(*zd*)	15,500 00	15,500 00		
			7,224,561 00	7,015,672 87	208,888 13	
	(*B*) EXPENDITURE AUTHORIZED BY STATUTE					
	Salary of the Governor General		48,666 66	48,666 66		
	Salary of the High Commissioner of Canada in England		10,000 00	10,000 00		
	Salary of the Lieut.-Governor of Ontario..............		10,000 00	10,000 00		
	Salary of the Lieut.-Governor of Quebec..............		10,000 00	10,000 00		
	Salary of the Lieut.-Governor of Nova Scotia...........		9,000 00	9,000 00		
	Salary of the Lieut.-Governor of New Brunswick........		9,000 00	9,000 00		
	Salary of the Lieut.-Governor of Manitoba.............		9,000 00	9,000 00		
	Salary of the Lieut.-Governor of British Columbia.......		9,000 00	9,000 00		
	Salary of the Lieut.-Governor of Prince Edward Island...		7,000 00	7,000 00		
	Salary of the Lieut.-Governor of Alberta..............		9,000 00	9,000 00		
	Salary of the Lieut.-Governor of Saskatchewan.........		9,000 00	9,000 00		
	Salary of Fifteen Ministers, 1 at $12,000, 14 at $7,000....		110,000 00	110,000 00		
	Salary of the Solicitor General		5,000 00	5,000 00		
	Salary of the Governor-General's Secretary...........		2,400 00	2,400 00		
	Salary of the Auditor General		5,000 00	5,000 00		
	Salary of the Superintendent of Insurance.............		5,000 00	5,000 00		
			267,066 66	267,066 66		
	SUMMARY					
	To be voted...............		7,224,561 00	7,015,672 87	208,888 13	
	Authorized by Statute.......		267,066 66	267,066 66	....	
	Total................		7,491,627 66	7,282,739 53	208,888 13	

It is the aggregate of the several tables of "estimates of expenditure for which votes of Parliament are required," similar to the foregoing, which alone forms the subject of action by Parliament. Detailed explanations of the items entering into the several totals may be, and indeed in the case of many of the totals always are, presented to Parliament for its information, but its action is by practice confined merely to allowing or reducing the total amounts listed in the tables of votes. It is these tables alone that, with the reductions in amounts determined on by Parliament, are included in the appropriation act. It need hardly be pointed out, therefore that the degree of itemization embodied in these tables of votes is of the utmost importance in exhibiting the degree of control which is exercised by Parliament over the allotment of funds by the Executive.

In examining these tables it should be borne in mind that only the total amount granted under each "vote" is binding on the executive, regardless of the distribution of that amount among the several items which may be listed under the "vote." Thus, in the table of votes under the head of "Civil Government," just presented, it will be seen that while the numbered "votes" total only thirty, each numbered "vote" is divided under the two heads of "Salaries" and "Contingencies," and this two-fold division of each "vote" is the standing practice for the estimates of the regular administrative departments. Certain of the votes, moreover, are divided into a much greater number of subheads, the number in some cases, as in Vote No. 128, for Harbors and Rivers, Quebec, running as high as thirty-nine, the amount allowed for each improvement being separately listed.

Of late years, the tendency has apparently been in the direction of a reduction in the number of "votes" and subdivisions of votes presented and a corresponding increase in the number of requests for lump sums. That this tendency has not escaped objection as making a strict parliamentary control of government disbursements more difficult is evidenced by the following outburst of indignation:

> This is a most outrageous way of bringing down Estimates. Here you have a lump sum of $700,000. . . . This sum of money can be spent as the Minister chooses; Parliament has no chance to arrange it or limit it. These sums should be voted by Parliament so that they cannot be juggled with—they cannot be changed in the department. As it is, this is the blindest kind of way of making estimates.[1]

As already stated, there is presented, in connection with some of the "votes," supporting schedules setting forth in great detail the items making up the estimated total. Particularly is this true of votes calling for large sums for "Salaries" in the administrative departments. But it should be kept clearly in mind that this detailed itemization is intended solely for the information of Parliament, is not acted upon by it, and does not appear in the appropriation act. Once the total listed in the table of votes is granted by Parliament, the Executive is free to allot that total in any manner deemed best, without being bound in the slightest degree by the itemization appearing in the supporting schedules of the Estimates.

The following detailed schedule, supporting the estimate for Vote No. 8, Department of the Interior, in the table of votes under "Civil Government," just presented, is typical of the degree and form of itemization presented

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[1] Mr. Foster—Can. Hansard, 1908-09, p. 7016.

Number of Employees		(g) DEPARTMENT OF THE INTERIOR	Salaries	
1917–18	1916–17		1917–18	1916–17
			$ cts.	$ cts.
1	1	Deputy Minister	5,000 00	5,000 00
23	23	First Division, Subdivision A:— 6 at $4,000; 1 at $3,975; 2 at $3,750; 2 at $3,675; 5 at $3,400; 1 at $3,300; 2 at $3,200; 2 at $3,100; 1 at $3,050; 1 at $2,850	81,625 00	81,175 00
61	61	First Division, Subdivision B:— 30 at $2,800; 3 at $2,700; 1 at $2,675; 1 at $2,650; 2 at $2,600; 9 at $2,500; 9 at $2,400; 1 at $2,350; 1 at $2,325; 1 at $2,275; 1 at $2,250; 1 at $2,225; 1 at $2,200	160,350 00	157,850 00
116	116	Second Division, Subdivision A:— 29 at $2,100; 1 at $2,075; 2 at $2,000; 1 at $1,975; 1 at $1,962.50; 2 at $1,950; 1 at $1,937.50; 9 at $1,900; 4 at $1,887.50; 1 at $1,875; 11 at $1,850; 2 at $1,837.50; 1 at $1,825; 2 at $1,812.50; 16 at $1,800; 21 at $1,750; 3 at $1,700; 2 at $1,687.50; 3 at $1,675; 1 at $1,662.50; 1 at $1,650; 1 at $1,637.50; 1 at $1,625	218,375 00	215,687 50
249	249	Second Division, Subdivision B:— 33 at $1,600; 13 at $1,575; 1 at $1,537.50; 5 at $1,525; 1 at $1,500; 1 at $1,487.50; 31 at $1,475; 1 at $1,450; 1 at $1,437.50; 7 at $1,425; 2 at $1,412.50; 8 at $1,400; 4 at $1,387.50; 33 at $1,375; 1 at $1,362.50; 6 at $1,350; 4 at $1,337.50; 15 at $1,325; 2 at $1,312.50; 1 at $1,305; 5 at $1,300; 1 at $1,287.50; 5 at $1,275; 2 at $1,262.50; 1 at $1,250; 1 at $1,237.50; 1 at $1,225; 3 at $1,200; 2 at $1,187.50; 1 at $1,175; 4 at $1,137.50; 3 at $1,125; 2 at $1,112.50; 4 at $1,100; 5 at $1,087.50; 1 at $1,075; 1 at $1,062.50; 1 at $1,050; 2 at $1,037.50; 2 at $1,025; 7 at $1,012.50; 2 at $987.50; 3 at $962.50; 2 at $950; 4 at $937.50; 1 at $925; 1 at $912.50; 2 at $887.50; 2 at $875; 2 at $862.50; 3 at $850; 1 at $837.50; 2 at $825	332,155 00	326,542 50
189	189	Third Division, Subdivision A:— 91 at $1,200; 1 at $1,175; 8 at $1,150; 1 at $1,137.50; 4 at $1,125; 34 at $1,100; 2 at $1,087.50; 1 at $1,075; 2 at $1,062.50; 26 at $1.050; 1 at $1,037.50; 3 at $1,025; 2 at $1,012.50; 1 at $1,000; 1 at $987.50; 1 at $975; 2 at $962.50; 1 at $937.50; 2 at $925; 5 at $912.50	213,662 50	209,650 00
190	190	Third Division, Subdivision B:— 50 at $800; 10 at $787.50; 2 at $775; 7 at $762.50; 2 at $750; 5 at $737.50; 6 at $725; 6 at $712.50; 2 at $700; 15 at $687.50; 3 at $675; 5 at $662.50; 3 at $650; 20 at $637.50; 21 at $625; 3 at $612.50; 2 at $600; 2 at $587.50; 4 at $562.50; 7 at $550; 2 at $537.50; 3 at $525; 1 at $512.50; 9 at $500	131,425 00	128,812 50
68	68	Messengers, sorters and packers:— 23 at $800; 1 at $787.50; 2 at $750; 1 at $737.50; 5 at $725; 2 at $712.50; 2 at $700; 6 at $687.50; 1 at $662.50; 11 at $650; 2 at $637.50; 1 at $6250 2 at $612.50; 4 at $600; 1 at $575; 1 at $562.50; 1 at $537.50; 2 at $525	48,062 50	46,337 50
		Allowance for Private Secretary	600 00	600 00
897	897		1,191,255 00	1,171,655 00
		Contingencies		
		Clerical assistance	20,000 00	20,000 00
		Printing and stationery	45,000 00	45,000 00
		Travelling expenses and sundries	50,000 00	55,000 00
			115,000 00	120,000 00

in support of estimates for the administrative departments.

With reference to the foregoing table, it may be suggested that if the enumeration of the number of clerks at the different rates of salaries were given in columnar form instead of being printed solid, not only would a clearer showing be made of the personnel of each service, but the changes proposed in such personnel would be more effectively exhibited. Doubtless such a criticism would, however, have more force were this itemization intended to be legally controlling upon the Executive, instead of being presented, as already stated, only for purposes of general information.

The slight degree of itemization presented in support of the estimates for "Contingencies" is striking, for that term is used in a sense widely different from that attached to it in American budgetary practice, namely, to include all types of services and supplies—in fact, everything except regular salaries.

CHAPTER VII

THE ESTIMATES: ACTION UPON IN PARLIAMENT[1]

Money Bills Originate in the Commons. Section 53 of the British North America Act provides that "Bills for appropriating any part of the public revenue, or for imposing any tax or impost shall originate in the House of Commons."

In pursuance of this requirement and in order that precipitate action may be prevented, a standing order of the House of Commons provides that:

> All aids and supplies granted to his Majesty by the Parliament of Canada are the sole gift of the House of Commons, and all bills for granting such aids and supplies ought to begin with the House, as it is the undoubted right of the House to direct, limit, and appoint in all such bills, the ends, purposes, considerations, conditions, limitations and qualifications of such grants which are not alterable by the Senate.

The established attitude of the Senate towards revenue or appropriation bills is stated by Bourinot as follows:[2]

> Since 1870, no attempt has been made in the Senate to throw out a tax or money bill. The principle appears to be acknowledged on all sides, that the upper chamber has no right to make any material amendment in such a bill, but should confine itself to mere verbal or literal corrections. Without abandoning their abstract claim to reject a money or tax bill when they feel they are warranted by the public

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[1] In the preparation of this chapter the greatest assistance has been obtained from the able work of Bourinot, Parliamentary Procedure and Practice in the Dominion of Canada, 4th ed., 1916. In a number of paragraphs the author has simply summarized Mr. Bourinot's presentation.

[2] Bourinot, p. 285.

necessities in resorting to so extreme a measure, the Senate is now practically guided by the same principle which obtains with the House of Lords and acquiesces in all those measures of taxation and supply which the majority in the House of Commons have sent up for their assent as a coordinate branch of the legislature. The Commons, on the other hand, acknowledge the constitutional right of the Senate to be consulted on all matters of public policy.

The Senate doubtless aims to keep closely within its constitutional functions. That house has declined to appoint a committee to examine and report on the public accounts, on the ground that while the Senate could properly appoint a committee for a specific purpose—that is, to inquire into particular items of expenditure—they could not nominate a committee, like that of the Commons, to deal with the general accounts and expenditures of the dominion—a subject peculiarly within the jurisdiction of the lower House. It is legitimate, however, for the Senate to institute inquiries, by their own committees, into certain matters or questions which involve the expenditure of public money. But the committee should not report recommending the payment of a specific sum of money, but should confine themselves to a general expression of opinion on the subject referred to them.

Tacking. The Senate has a standing rule which declares that "to annex any clause to a bill of aid or supply, the matter of which is foreign to and different from the matter of the bill, is unparliamentary." And Bourinot is authority for the statement that no modern example of its infringement has occurred.[1]

Appropriations must be Recommended by the Executive. In strict conformity with the English parliamentary principles, the Canadian rule is that no measure authorizing the expenditure of public moneys shall be considered except such as have been recommended to the legislature by the Executive. It is, indeed, provided in the British North America Act itself that:

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[1] Bourinot, p. 290.

> It shall not be lawful for the House of Commons to adopt or pass any vote, resolution, address, or bill for the appropriation of any part of the public revenue, or of any tax or impost, to any purpose that has not been first recommended by a message of the Governor-General in the session in which such vote, resolution, address or bill is proposed.[1]

It will be observed that this provision does not go quite as far as does the standing order of the British House of Commons which declares that no petition shall be received for any sum relating to the public service. Bourinot is, however, authority for the statement that, under decisions of its speakers, this prohibition is invariably applied in the Canadian House.[2] Bourinot continues:

> The constitutional provision which regulates the procedure of the Canadian Commons in this respect applies not only to motions directly proposing a grant of public money, but also to those which involve a grant, such as loans and guarantees. A member who has not received the permission of the Crown has not been allowed to move the House into committee on a resolution providing for the purchase and exportation by the government of certain depreciated silver coinage. In 1871 it was proposed to go into committee on an address to the Queen for a change in the Union Act,

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[1] Section 54. This provision is copied from a clause in the Act of 1840.

[2] Bourinot, p. 406.

so as to assign the debt of old Canada to the Dominion entirely, and to compensate Nova Scotia and New Brunswick in connection therewith. The Speaker expressed an opinion adverse to the proposal on the ground that it was intended as preliminary to legislation imposing a public burden, and was, consequently, not a mere abstract resolution which did not necessarily involve a future grant.

In further restraint of the right of initiation upon the part of private members with reference to financial measures is the standing order of the Canadian House which provides that:

> If any motion be made in the House for any public aid or charge upon the people, the consideration and debate thereof may not be presently entered upon, but shall be adjourned until such further day as the House shall think fit to appoint; and then it shall be referred to a committee of the whole House, before any resolution or vote of the House do pass thereon. This rule is strictly observed.[1]

The following statement of Bourinot's perhaps deserves notice. He says:

> A practice has grown up in the House of allowing the introduction of resolutions by private members, when they do not directly involve the expenditure of public money, but simply express an abstract opinion on a matter which may necessitate a future grant. As this is a question not always understood, it may be explained that such resolutions, being framed in general terms, do not bind the House to future legislation on the subject, and are merely intended to point out to the government the importance and necessity

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[1] Bourinot, p. 408. This rule Bourinot observes is substantially similar to the English rule. The English rule, however, is more definite in that it adds the words, "or charge upon the public revenue, whether payable out of the consolidated fund or out of moneys to be provided by Parliament."

of such expenditure. Referring to this right of members to move such abstract resolutions all authorities agree that it is one "which the House exercises and should always exercise with great reserve, and only under peculiar and exceptional circumstances." Such resolutions are considered virtually "an evasion of the rules of the House, and are on that account objectionable, and should be discouraged as much as possible." Nevertheless, neither the English nor Canadian House of Commons has ever agreed to the adoption of a rule to fetter their discretion in regard to the entertaining of such propositions.[1]

Senate Amendments. The spirit of this rule would prevent amendments in the Senate of bills sent to it by the House, where the effect is to make new or increased demands upon the public purse. However, upon occasions, in order not to prevent, late in the session, the enactment of useful measures, the House has accepted Senate amendments which only incidentally necessitate a charge upon the people. Furthermore, with reference specifically to measures imposing pecuniary penalties the House has a rule which reads as follows:

> The House will not insist on the principle claimed and exercised by them of laying aside bills sent from the Senate because they impose pecuniary penalties; nor of laying aside amendments made by the Senate because they introduce into or alter pecuniary penalties in bills sent to them by this House, provided that all such penalties thereby imposed are only to punish or prevent crimes and offences, and do not tend to lay a burden on the subject, either as aid or supply to Her Majesty, or for any general or special purpose by votes, tolls, assessments, or otherwise.

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[1] Bourinot, p. 411.

It is still further to be observed that, as a matter of convenience, bills with regard to matters which, if executed, will require the expenditure of public money are not infrequently introduced in the Senate and have indeed money clauses in them when introduced. These clauses are, however, left out when the bills are sent to committee, and when they are passed, engrossed and sent to the Commons, the provisions providing for expenditures are printed in red ink and, by a fiction, are considered as not there at all.[1]

Committees of Supply and of Ways and Means. Generally speaking, the parliamentary procedure for granting supplies to the government is similar to that followed in the English Parliament. The standing orders provide that immediately after the speech from the throne opening the session, and the reply thereto, committees of supply and of ways and means shall be constituted. Before going into Committee of Supply, however, the House expects to receive from the Government the Estimates for the coming fiscal year, and these Estimates, together with the message of transmissal of the Governor General, are referred to the Committee of Supply.

As provided in the standing order already quoted, all revenue appropriation bills must be considered in these committees. This rule applies not only to all motions involving direct expenditures, but also to any measures which release or diminish the amount of sums due to the state.

The Committees of Supply and of Ways and Means are committees of the whole House. The advantages obtained from the formal change in the constitution of the House are very slight. The Speaker is replaced by a chairman—the chairman of committees, or a deputy appointed by the Speaker—and the right of members to speak more than once on the same question is granted. The previous question is not in order in committee. The quorum is the same as of the House itself, namely, twenty members.

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[1] Bourinot, p. 493.

Debate. The old English principle that the redress of grievances should precede the grant of supplies to the Crown is followed in Canada and, consequently, when the motion is made that the House go into committee "to consider of the supply to be granted to His Majesty," it is in order for any kind of amendment to be offered whether it relates to supply or not.

* * * but there are certain limitations to this right. Only one amendment can be moved to the question, "that Mr. Speaker do now leave the chair." If that amendment is negatived, a discussion on other questions may be raised but no other motion can be proposed. If the amendment is withdrawn, however, another amendment can be at once submitted to the house. The ordinary rules of debate are applicable on this occasion; for instance, a matter already decided by the House, or of which notice has been given, or which stands upon the orders of the day, cannot be discussed; nor can any subject or matter of detail which should be discussed in committee, be debated on these occasions; nor can debate or amendment be permitted relating to grants already agreed to, or to resolutions which will be proposed in the committee, or in the committee of ways and means, or to items in the estimates. It is not the practice in the Canadian Commons to give notice of any amendments to be proposed at this stage, though it

is sometimes done. In the British Commons, notice is always given of amendments to be proposed to the motion for going into committee of supply. Members may, however, discuss various questions on the motion for the speaker to leave the chair, without moving any amendment thereto—a great latitude being allowed on such occasions. The adjournment of the House is in order at this stage, and it is also allowable to move an address to the sovereign or to the governor-general.

When an amendment has been moved to the question for the speaker to leave the chair, discussion should be properly confined to its subject-matter. When an amendment is negatived, a debate may be raised when the speaker again puts the question, on the general policy of the government, or on some other subject, not embraced within the exceptions just mentioned.[1]

A similar freedom of amendment and debate is permitted upon the motion to go into committee of ways and means.[2]

Procedure in Committee of Supply. The Canadian procedure is to have all appropriations first voted in the Committee of Supply in the shape of resolutions. The Estimates laid before the House are divided into several hundred subdivisions or votes appertaining to the various public services and arranged in alphabetical order. A separate resolution must be passed in the committee for each vote, which resolution is proposed in each instance by the chairman.

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[1] Bourinot, p. 420.

[2] "The House is not necessarily called upon to go into committee of ways and means with any frequency, as its action is only imperative to vote duties of customs and excise or order payments out of consolidated funds to meet votes of supply; but whenever the motion is made for the Speaker to leave the chair to go into ways and means, members may address the House on any subject of public importance or move amendments under the same rules as govern on going into committee of supply." Bourinot, p. 423.

In order that members may properly equip themselves for the ensuing discussion, they are supplied with a printed copy of the Estimates and also with the Auditor General's detailed report of government expenditures for the fiscal year just passed. It is customary to furnish this report before the Committee of Supply meets.[1] Its scope and character will be more specifically discussed in the chapter which deals with the audit of public accounts.

Debate on the resolutions proposed in the Committee of Supply is unlimited and members are allowed to speak as often as they please. No increase in the grant contained in the resolution can be moved however. If the members of the committee are convinced of the advisability of increasing the appropriation recommended, they are confined to communicating their wishes to the government. Should the Ministry acquiesce in the suggestion made, another message is brought down from the Governor General at their instance recommending an additional grant beyond the amount originally specified in the Estimates. On the other hand, if the Committee of Supply is dissatisfied with the contents of a resolution, the only amendment which it can adopt is one reducing the amount of the appropriation. When such amendment is under discussion, members can show the impropriety of the government's estimate. It is not within the power of the House to adopt another method of expenditure.

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[1] "I do not recall that we were ever asked to go into Supply before the report of the Auditor General was in our hands." Mr. McMullen-Can. Hansard, 1896, 1st Sess., p. 771.

"It is contrary to all custom and all rule that we should proceed to consider the estimates without having the Auditor General's report before us." Sir Richard Cartwright—Ibid. p. 766.

Motions to reduce the amount of an appropriation are seldom made.

I happen to have in my hand a list of the items of expenditure which the Liberal opposition moved against during the whole period of eighteen years during which the Conservative party were in office, and we will see what they were. In 1879 the present Minister of Trade and Commerce (Hon. Sir Richard Cartwright) proposed to make a reduction of $70,000 in the expenditure for civil government. In 1880 no objection was taken. In 1881 they were silent; they did not move any resolution. In 1882 Mr. Mills proposed a reduction of $8,000 being payment for damages to a steamer known as the U. C. Upper. In 1883 no resolution was moved against the expenditure; in 1884 no resolution; in 1885, no resolution; in 1886, no resolution; in 1887, no resolution; in 1888, no resolution. In 1889 the present Minister of Trade and Commerce moved that the vote for Manitoba penitentiaries be reduced by $10,526. . . . In 1890 no resolution was moved by honorable gentlemen opposite. Nor was any moved in 1891, 1892, 1893, 1894, 1895, and 1896. . . . Mr. Speaker, during the whole period of eighteen years in which there was an expenditure of $603,000,000 in round numbers, these gentlemen only objected in the irregular way I have mentioned to $447,000 of it.[1]

Unless the government gives notice to the contrary, the Committee of Supply takes up the Estimates in regular order.

When the estimates of a particular department are under consideration in the Committee of Supply, the established usage requires that the minister responsible for the insertion of the various items should be on hand to defend and to explain them to the House. Where the department estimates, like those of the Public Works Department, comprise many individual items, concerning all of which the minister could hardly be expected to be fully posted, a minor official is permitted to attend to supply any needed information.

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[1] Mr. James Clancy—Can. Hansard, 1902, p. 2341.

> I have seen Sir Hector Langevin, when Minister of Public Works, stand for hours with his book in his hand and his deputy beside him, and give all information regarding the item in advance without waiting to be asked. If anything were neglected or forgotten in his memo. he would ask his deputy.[1]

Besides being resented, the absence of a minister upon such an occasion leads to the passing or reservation of items.

> I beg to call the attention of the leader of the Government to the fact that it deprives the House of all the freedom it ought to have on concurrence to have the Minister absent.[2]
>
> Mr. Foster—Who has charge of these items?
>
> Mr. Fielding—The Minister of Trade and Commerce (Sir Richard Cartwright) has, but as he is not present just now if there is objection to any particular item, it can stand over.[3]
>
> Sir Wilfrid Laurier—The opposition want certain information and they are entitled to it and must get it, and in the meantime we can reserve an item so that the question at issue may be fully discussed.
>
> Mr. Monk—I must confess that the system of passing items and of reserving one is not a good one. It results in items being passed without full or proper

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[1] Mr. Edwards—Can. Hansard, 1909-10, p. 703.

[2] Mr. Foster—Can. Hansard, 1896, 2nd Sess., p. 2546.

[3] Can. Hansard, 1896, 2nd Sess., p. 2021.

discussion, and generally the reserved item comes up when everyone who wants information is absent.[1]

The task of arranging the details of the debates in the Committee of Supply is left to the party whips. Certain votes in the Estimates are selected for lengthy discussion and each party is given an opportunity of dwelling on items which are deemed to be of special importance. Sometimes members from the opposite sides of the House speak in rotation which adds much to the piquancy and value of the debates on the Estimates. After each of its sittings, the Committee of Supply formally reports progress to the Speaker of the House and obtains leave to sit again until it has finished the consideration of the estimates of expenditures.

With regard, generally, to the consideration of the Estimates by the House it may be said that while in the early days of the session there is considerable debate, each item opening up a field for a discussion of the operations of the department concerned, in the later stages the attention of the House becomes less keen, and during the last weeks of the session immense sums are often voted with little or no discussion. This is, however, an experience which is met with in nearly all popular legislative chambers.

Report Stage. As soon as the Committee of Supply has finished its labors and has passed resolutions covering all the estimates, the action of the committee is reported to the House and a further opportunity for debate furnished when the acceptance of its report is under consideration. At this stage of legislation, however, each member of the House is allowed to speak only once. When the report of the Committee of Supply is finally disposed of, it is the duty of the Minister of Finance to move that the House go again into Committee of the Whole, sitting this time as the Committee on Ways and Means for the purpose of considering resolutions appropriating certain sums out of the Consolidated Revenue Fund "towards making good the supply granted to His Majesty." These resolutions of the Ways and Means Committee must contain the same sums which have been already voted in the Committee on Supply. Although largely duplicating the work of the last named committee, these resolutions must be formally passed in the Committee of Ways and Means, reported back to the House and agreed to, before a supply bill founded on the same can be introduced in the Commons. By this procedure members are given an additional opportunity to pass upon the Government's recommendations.

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[1] Can. Hansard 1907-08, 4006, et se.

In order to permit of their proper consideration, these formal resolutions from the Supply and Ways and Means Committees are not supposed to be reported to the House on the same day in which they are agreed to in committee. When resolutions from the Ways and Means Committee are formally reported to the House, they stand as read for the first time and are never discussed or debated at this stage. On the second reading, each resolution is read separately and the question put whether the committee's report be concurred in or not. Debate is then in order and amendments are allowed, for any supply resolution can be reduced after having been thus reported without the House having to transfer itself again into Committee of Ways and Means. It frequently happens that resolutions are withdrawn after their second reading or referred back to the committee for the purpose of effecting some amendment. Only during very recent years has it been found expedient to apply the closure to debates.

Supply Bills. As soon as the House has concluded its consideration of the supply resolutions reported to it by the Ways and Means Committee, the Minister of Finance introduces the corresponding appropriation or supply bills. In these bills all the supply votes passed by Parliament are recited in detail. They differ from other bills in that their preambles assume the shape of an address to the British sovereign.[1] The supply bill also directs that a detailed account of the sums expended under its authority shall be laid before Parliament during the first fifteen days of the ensuing session. Although a very unusual occurrence, it is entirely regular to inaugurate a debate or to propose amendments at the three several readings of a supply bill. Although introduced late in the session, all the items contained in these formal appropriation acts have, as has been shown, been previously before the Commons for discussion.

As earlier brought out, the amount appropriated for the various government services in the supply bills of the Dominion is merely the gross total of all the items originally embodied in the Estimates and asked to be voted by Parliament. Payments such as salaries of permanent officials and interest on the public debt which do not have to be voted annually are outside the purview of the supply bills. Whenever it is desired to effect a change in these payments authorized to be made by law and not by the supply bill itself, a resolution is introduced by one of the Cabinet that the House resolve itself into a committee of the whole to consider the proposed amendment to the existing statute. At the same time the Minister informs the House that the Governor General is both acquainted with the subject matter of the resolution and recommends it to the House. After the amending resolution has been favorably acted upon in committee, reported back to and accepted by the House on second reading, the Minister is then given leave to introduce a bill embodying the proposed change in the permanent grant previously made. This bill is passed then in the ordinary way.

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[1] The phraseology is as follows: "Most Gracious Sovereign, Whereas it appears by messages from His Excellency the Most Noble Victor Canistian William, Duke of Devonshire, etc., etc., Governor General of Canada, and the estimates accompanying the said messages, that the sums hereinafter mentioned are required to defray certain expenses of the public service of Canada, not otherwise provided for . . . May it therefore be enacted, and be it enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, that:— . . . "

Adequacy of Consideration of the Estimates by Parliament. It appears that the consideration by the Parliament of the Estimates submitted to it by the Executive is by no means adequate. This is partly due to difficulties inherent in the task, partly to the circumstances that the Estimates are not always offered in a sufficiently detailed form, and partly to the fact that the House of Commons has not itself seen fit to establish within itself a special committee or other agency whose special function it is to study and criticize the executive expenditure propositions and thus bring the contestable points before the whole House in such a form that they may be understood and intelligently passed upon. The difficulties inherent in an adequate scrutiny of public estimates by a large legislative body arise out of the number of items that have to be examined and the fact that their propriety must in large measure depend upon considerations which can be fully known and understood only by those who have the spending of them. These inherent difficulties, however, instead of justifying a feeling of incompetency upon the part of the legislature and a disposition to shirk its duties as custodian of the interests of the people, should, upon the contrary, excite it to every possible effort to adopt means whereby its control of the public purpose may be exercised as effectively as is practically possible.

Increase of Expenditures. At the present time, the annual ordinary expenditures of the Dominion government are over ten times what they were in the first year after confederation. This growth in the volume of expenditure is making it more difficult from year to year for the Dominion Parliament adequately to consider and discuss the government estimates.

> We must recollect that conditions are very different from what they were. When we were a small country with a small revenue and a small expenditure, each minister himself had a greater check on the work of his department than he has today. The government had a greater check and so had parliament, but when these operations are multiplied a hundred fold, my view is that these checks are absolutely inadequate, and that something more ought to be supplied. What check have the ministers over an expenditure of some $100,000,000, extending all over this country, and on most diversified subjects? Under present conditions, they are almost entirely at the mercy of others. They cannot give this expenditure the personal supervision which they could an expenditure of a fairly moderate amount; either in its planning or its carrying out. That applies to the different great departments of this government and to the minister

of each of these departments. With the outside work he has to do, with the cabinet work which takes up his time, no minister can have that check which ought to be had over the administration of his own department in the way of expenditure. But you will say the cabinet checks the minister. That used to be the case when we had a smaller expenditure, and when practically every item came before the cabinet and was explained, and passed upon by the cabinet. But today that would be absolutely impossible. It is not attempted to be done except in some very special instances, and the result is that the supervision and check of the cabinet over department expenditure has largely passed away. . . . But you may say that ultimately the House of Commons will be a check. Yes, it used to be, but it is not any longer to any considerable extent. When I first came to this House, the items in supply were criticised by men on the government benches as well as in the opposition. But today, once the estimates are on the table, tell me, have you ever seen a government member attempt anything at all in the way of criticism of any of these estimates? The minister who is putting through his estimates is left alone by his followers, and has the whole business to attend to by himself. And on the opposition side, whatever may be our energy and disposition to work, it is impossible under present conditions, when $115,000,000 of estimates are turned loose on the House, without any information in the estimates themselves, it is absolutely impossible for the opposition to exercise any effective check. All they can do is to wheedle out from the minister in charge, who is anxious to give no more information than he is absolutely obliged to give, what details they can.[1]

On account of the rapid growth in Canada's population, a more or less steady increase in government expenditure must be counted upon hereafter. This will further augment the difficulties already experienced in the Dominion House of Commons in intelligently discussing and controlling the budgetary Estimates. Indeed, as things now are, items of comparatively small importance will be often debated at length, while large appropriations are rushed through the House without any proper consideration.

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[1] Mr. Foster—Can. Hansard, 1910-11, p. 6603.

> I have known an item of $40,000 in this House to take up a whole sitting and items aggregating $10,000,000 to be passed in ten minutes without proper consideration.[1]

In England, a similar trouble has been encountered.

> During my experience of the last Parliament, I observed that every year in round figures, we voted something like £50,000,000 of public money without any discussion whatever. . . . In practice it has been found that those responsible for the estimates have not been loth to allow the House to fritter away most of the allotted time in discussing trivialities, while many millions are voted in as many minutes towards the end of the session without the slightest pretence of examination or debate.[2]

Several suggestions have been made for attaining a more effective control over the Estimates. The following is one of these suggestions:

> Four-fifths of the time of this House is taken up in the discussion of the Estimates. I submit that without changing the rules of this House, in so far as they affect the result, we could reduce the length of the session by at least six weeks by a very slight change in our procedure. If the minister of any

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[1] Mr. Lewis—Can. Hansard, 1910-11, p. 420.

[2] Mr. Bottomley—Hansard's Debates (N. S.) Vol. 12, p. 213-14 (Nov. 5, 1909.)

department will give notice that two weeks from a certain day he will be in Room 62, or whatever committee room it may be, with his estimates at a certain hour, say 10 A. M., and let any honorable member in this House be allowed to go there and investigate the various items, it will be possible to pass all non-contentious items en bloc. It would not affect the contentious items being brought up in this House. . . . If they (the Government) would simply have the estimates carefully examined by this mode and all non-contentious items passed en bloc, a great improvement in the procedure would be effected. The opposition could appoint a committee to attend, but any member of the House would be at liberty to ask any questions with regard to any item that he desired. Hours and hours of useful time of this country would be saved as well as thousands of dollars.[1]

In effect, examination of non-contentious items in advance of their consideration by the House of Commons is here proposed. The appointment of a regular standing committee of the House to go over all the estimates for the coming fiscal year, in advance of their submission to Parliament, has also been advocated.

Your commission would suggest that from the House of Commons a small committee be created to be called the "Estimates Committee" to whom the estimates might be referred for examination before being passed upon by the House and that such committee should have power to call for persons and papers if considered desirable; the committee to ascertain full particulars of the several votes asked for and any explanations that may be desired. This procedure would in all probability relieve the House from the delays now occurring in committee of supply and would tend to shorten the session.[1]

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[1] Mr. Lewis—Can. Hansard, 1910-11, p. 420.

A committee of fifteen members, like the one just proposed, has existed in the English House of Commons during the last few years to examine the estimates for the current fiscal year. Instead of reviewing all the estimates, however, this new committee only examines certain sections of them at each parliamentary session for the purpose of detecting, if possible, extravagant, reduplicated or obsolete items of expenditure. To have all of Great Britain's Estimates scrutinized in this fashion, the proposal is advanced that no less than four such estimates committees should be appointed.[2]

Votes on Account. In order that the appropriations may correspond as nearly as possible to the fiscal needs of the year to which they are applicable, it is desirable that as short a time as possible should intervene between the time they are passed and the time when their expenditure is called for. In the United States it has been felt necessary that as nearly as possible all the appropriations for a fiscal year should be made before the beginning of the year. In England and in France, however, this has not been deemed imperative. In both countries the final appropriations are not made until well into the year to which they apply. Before they become available the current needs of the government are met in England by the passing of what are called "votes on account". In France the same result is reached by what are termed *douzièmes provisoires*. These latter have been defined as "an authorization to collect taxes and pay public expenditures over a certain number of months, in accordance with a temporary allotment." It is, however, to be said with reference to the French practice that the *douziemes provisoires* are employed not so much from a deliberate desire to synchronize as nearly as possible the voting and expenditure of public moneys, as to escape from a situation brought about by the Chambers failing to act as promptly as, in principle, it is deemed they should act. Thus, says Stourm: "When the fiscal year is about to open, and the Chambers lack time to reach a vote on the whole fiscal law prior to December 31 [the fiscal year in France begins January 1], a partial budget hastily prepared, covering a few months and calculated *grosso modo,* is voted. The *douzièmes provisoires* are, therefore, designed to legalize an abnormal situation."[1] Though thus stigmatized as abnormal, the incidentally beneficent result is to shorten the period between the time of making the appropriations and their expenditure. And thus Stourm is led to say: "It is doubtful whether in themselves the *douzièmes provisoires* really deserve such absolute condemnation. Are they not condemned, in the first place, because they are introduced irregularly and hastily, without due consideration? Let them become a regular institution and perhaps we shall be able to appreciate them."[2]

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[1] Report of Royal Commission on the Civil Service, Sessional Papers, 1907-08, Vol. XLII No. 29a, p. 24.

[2] See London Economist of October 28, 1916.

In Canada a system is employed which is not exactly the same but approximates to that of Great Britain. In Great Britain the votes on account take the form of lump sum appropriations, the expenditure of which is restricted to services already authorized. In Canada the plan is followed of appropriating fractional amounts of all the items contained in the Estimates. Thus, for example, on February 6, 1917, the House of Commons, in Appropriation Act No. 1, provided that one-fourth of the several items appearing in Schedule A of the act should be made available. In Schedule B were enumerated items which were appropriated in their entirety.[1] In a second appropriation measure passed by the Commons on July 6, 1917, the remaining three-fourths of most of the items in the Schedule A of the earlier act were appropriated, and one-sixth of the amounts enumerated in a second schedule. On September 3 and September 19, further acts were passed completing the appropriations for the year. It thus appears that nearly one-half of the fiscal year had expired before the final appropriations were made.

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[1] The Budget, by René Stourm; A Translation (Studies in Administration, Institute for Government Research, 1917), p. 326.

[2] The Budget, p. 330.

Revenue Measures. As in the case of the Estimates, the approval of the Governor General must first be obtained before any change in the existing tax laws can be brought to the attention of the House.

> When any impost or tax is to be put on the people, the first step to be taken by the government is to announce to the House that they have the consent of His Excellency to the introduction of a measure. That is a safeguard which, according to all constitutional authorities, is of vast interest to the people.[2]

In regard to the consideration and passage of revenue laws, the Canadian practice is to have all changes in the existing tax laws or propositions for the imposition of new forms of taxation first considered in the Committee of Ways and Means. This is done by the Minister of Finance giving notice that, when the House goes into Committee of Ways and Means, he will move the passage of certain resolutions providing for changes in the existing tax laws. Generally these resolutions deal with a revision of the custom duties and excise charges from which the Dominion derives the greater part of its revenues.

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[1] The items in Schedule B were based upon the Supplementary Estimates for the year 1916-1917.

[2] Mr. Lennox—Can. Hansard, 1904, p. 1826.

Logically, it might seem that the House should not take up the question of changes in the revenue laws until the expenditures to be met had been decided in Committee of Supply. In fact, however, especially with reference to the tariff, it is held proper for the Finance Minister to move that the House go into Committee of Ways and Means without waiting for action by the Committee of Supply.

Budget Speech. The budget speech[1] is usually made upon the motion to go into Committee of Ways and Means. Upon some occasions, however, it has been delivered upon the motion to go into Committee of Supply. In this speech the Minister of Finance analyzes the receipts and expenditures for the past and estimates those of the coming year, discusses the immediate financial outlook and discloses to the House any new scheme of taxation which the Government intends to put into effect. The Canadian budget speeches are often delivered with the object of creating party capital.

It has been the custom of those delivering the Budget speech in the past to go back to a number of years and make comparisons, and they were always odious comparisons between what the then government did and what past governments had or had not done.[1]

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[1] This speech is generally termed the "Budget". This, however, is a loose use of the word for, as has been earlier pointed out, the Budget properly speaking, is the document containing balanced financial statements, recommended expenditures and proposed revenue measures with estimates of their probable yield For a typical budget speech, see Appendix 4.

Formerly the rule in the Dominion House was that the Estimates could not be taken up until after the budget speech had been delivered. If Parliament was to dispatch its business quickly therefore, it was essential to have the budget speech delivered early in the session.

By our former practice the estimates were not discussed until after the budget speech had been delivered, and if that was delayed a late period was reached before the House was able to undertake the discussion and consideration of the estimates.[2]

Nowadays, since the Estimates can be discussed at any period of the session, the time when the budget speech is delivered is not of such vital importance.

✓ It will be remembered by the House that three years ago a change was made in our practice and the British method was introduced; that is to say, the estimates are brought down at an early period of the session so that they can be considered from time to time as available occasions arise. And when this is done and the estimates are before the House and ready for consideration, it is not of such pressing importance that the budget speech should be delivered at an early date.[3]

Nevertheless as the most important debates of the session usually occur after the delivery of the budget speech, it is desirable to have it made as early as is practicable.

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[1] Hon. Mr. Peters, Prince Edward Island Assembly Debates, 1891, p. 205.

[2] Mr. Foster—Can. Hansard, 1890, p. 1944.

[3] Mr. Foster—Ibid.

The only case in which I should excuse delay in bringing down the budget would be when no changes, or only insignificant changes are to be made. In such a case, the particular time for bringing down the budget is a matter of comparatively small moment; but whenever important changes are to be made seriously affecting the trade and commerce of the country, then it is the duty of the government to bring down the budget at a particularly early period, so that full and ample time may be afforded for their discussion.[1]

Powers of Private Members. As in the case of requests for appropriations, it is the established principle, strictly adhered to, that all proposals for changes in revenue laws should come from the Ministry. However, "all the authorities go to show that, when the government has formally submitted to the House the question for the revision of customs and excise duties, it is competent for a member 'to propose in committee to substitute another tax of equivalent amount for that proposed by ministers, the necessity of the new taxation to a given extent being declared on behalf of the Crown.' It is also competent for any member to propose another scheme of taxation for the same purpose, as a substitute for the government plan. But it is not in order to propose a new and distinct tax, which is not a mere increase or diminution of a duty upon an article already recommended by the government for taxation, though it is the function of this committee to impose rather than to repeal taxes. A proposition for the repeal of a duty is in order, and cases will be found where a proposed duty has been struck out in committee."[1]

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[1] Sir Richard Cartwright—Can. Hansard, 1890, p. 1950.

Reports of the Committee. Having been read a first and second time and approved, resolutions of the committee are reported to the House. They are then read a first time, which is a purely formal procedure, without discussion or amendments offered. Upon the question of the second reading there is opportunity for a general debate. Remarks must be relevant to the matter at issue. The supplies voted in committee may be reduced but not increased. If increases are desired, there must be recommendations from the Crown which of course must go through the committee stage. This means that every new duty must be thus considered. "So strictly is the rule enforced which requires every new duty to be voted in committee, that even where the object of a bill is to reduce duties, and the aggregate amount of duties will, in fact, be reduced, yet if any new duty, however small, be imposed or any existing duty be increased in the proposed scale of duties, such new or increased duty must be voted in committee, either before or after the introduction of the bill." [2]

✓ As in England the practice is to put resolutions of the Committee of Ways and Means, changing excise and customs duties, immediately into force, that is, before they receive definite statutory form. In case a resolution fails to secure enactment, the taxes thus levied are refunded, and the government which has assumed the responsibility obtains from Parliament an act of indemnity. Ordinarily, however, the chances of the House refusing to adopt the resolutions of its Committee are very slight. c.f. Bowles v. Bk. of Englan

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[1] Bourinot, Parliamentary Procedure, p. 431. These principles have been taken over in Canada from English practices. Bourinot shows, also, that, though deemed objectionable, private members may propose resolutions expressing an abstract opinion on the expediency or inexpediency of imposing a tax. And, both in England and Canada, there have been appointed committees, in opposition to the wishes of the ministry, to consider, abstractly, questions of taxation.

[2] Bourinot, p. 438.

Supply Bills in the Senate. As has been earlier indicated, the Senate does not attempt to oppose its will to that of the House with regard to matters of finance. The general questions of policy involved in the supply bills are usually discussed with considerable fulness, but the measures do not go to the Committee of the Whole, and the bill itself not unusually goes through all its formal legislative stages in a single day. No attempt is ever made in the Senate to amend a supply bill. Theoretically, the Senate may reject the bill, but it is not likely that the right will ever be exercised. When passed the bill is returned to the Commons to be submitted by it to the Governor General for his assent. This assent is given in the following terms:

> In His Majesty's name, his Excellency, the Governor-General, thanks his loyal subjects, accepts their benevolence, and assents to this bill.

Addresses to the Crown. Bourinot points out that, in conformity with English precedent, when, because of the lateness of the session or other reason, it is not practicable to make certain grants for specific expenditures, definite in amount, the House will agree upon an Address to the Crown authorizing the expenditure with the promise that the House will later vote the necessary supplies. ✓ Both in England and Canada such addresses may be moved by private members. This is permitted because the provision "that the House will make good the same," necessitates that the supplies when granted will have gone through the regular legislative procedure which includes initial recommendation by the Ministry.

Votes of Credit. As in England, so in Canada, in order to meet emergencies, the House, upon occasions, votes what are known as credits, which place round sums at the disposal of the Executive, such parts of these sums to be expended as may be found necessary. Thus, upon the outbreak of the great war in August, 1914, a credit of $50,000,000 was at once voted.

Private Bill Legislation. Of extreme importance in any system of national finance is the procedure adopted for the consideration and authorization of projects involving public expenditures which are for the benefit of special localities. These measures, as is well known, furnish in France and the United States abundant opportunity for "log-rolling" among the members of the legislature and for what has come to be known as "pork-barrel" legislation. In England, for reasons which will be later discussed, this evil has been almost entirely avoided. It may be here said, however, that these reasons depend in part upon the peculiar relationship in which members of Parliament stand towards their respective constituencies and partly upon the admirable procedure which the Parliament has adopted for the consideration of what are known as "Private Bills."

In Canada a private bill procedure has been adopted which is modeled upon that of the mother country, but which, in its operation at least, does not work so efficiently as does the English system with regard to the prevention of extravagant and unnecessary expenditures for the special benefit of particular localities. Thus the Canadian procedure provides that all private bills shall be based upon petitions stating the purposes aimed at; and that they shall be referred, after the second reading, to large standing committees to which are entrusted the essentially judicial function of taking evidence, hearing arguments, and rendering judgments as to the merits of the proposals submitted to them. All persons whose interests can be in any way affected by the projects proposed must receive notice and be granted the opportunity to appear and present their evidence or arguments as to whether the bills should be passed. The unfortunate practice is, however, permitted of allowing members of the Parliament to take charge of private bills for the purpose of obtaining their favorable consideration in the House and in committee. This is directly counter to the English usage which deems it highly improper that a member should in any way, directly or indirectly, engage in the promotion of any measure of a private character. In England, also, private bills are sent to small committees and it would seem likely that by this means a more nearly judicial consideration by them is secured than is obtained at the hands of the larger Canadian committees. Another divergence from the English practice, which is probably unfortunate, is the Canadian practice which, though denying to ministers the right to initiate or promote private bill legislation, permits them to sit on private bill committees in the Commons.

It may also be added that at times bills essentially private in character are received and treated as public bills and thus the requirements of private bill procedure avoided.

It might seem from a reading of the sections of the British North America Act, which enumerate the exclusive legislative powers of the Provinces and of the Dominion, that no great opportunity is given for the enactment by the Dominion of local or private bills. In fact, however, there has been given a liberal construction to the authority of the Dominion Parliament to "make laws for the peace, order, and good government of Canada in relation to all matters not coming within the classes of subjects of this act assigned exclusively to the legislatures of the Provinces." Then too, as in the United States, the authority of the Dominion government to regulate foreign and interprovincial commerce has furnished constitutional warrant for the exercise of extensive national powers. The specific legislative powers granted to the Dominion by the Act of 1867, especially those relating to trade and commerce, banking, etc., have also permitted the authorization of many public works to be constructed at Dominion expense, and made possible the granting of Dominion articles of incorporation to banking and other companies.

Role of the Opposition in Canadian Budget Practice. It is a truism which needs but little elaboration that the existence of an effective opposition is an essential factor to the successful working of any system of party government.

This need has been fully appreciated, if not realized in practice, in Canada.

Under our system of government an opposition is a necessity. Under our system a party is necessary, and that an opposition is as necessary as a government is a proposition which no one who is acquainted with the history of parliamentary government will deny. With all the evils which attend parliamentary government, it has been acknowledged by one of the greatest writers on that subject that an opposition is a necessity. Let me read what was said by Sir Thomas Erskine May as to the rights and duties of an opposition. After speaking of the evils that necessarily spring from party government, and deploring those evils, he goes on to speak of the opposition:

"But, on the other hand, we find that government, without party is absolutism; that rulers, without opposition, may be despots. We acknowledge, with gratitude, that we owe to party most of our rights and liberties. . . . We perceive that an opposition may often serve the country far better than a ministry, and that, where its principles are right, they will prevail. By argument and discussion truth is discovered, public opinion is expressed, and a free people are trained to self government. We feel that party is essential to representative institutions. Every interest, principle, opinion, theory and sentiment finds expression. The majority governs, but the minority is never without sympathy, representation and hope."[1]

There are important functions to be performed not only by those who are entrusted with the public confidence, or with the royal confidence for the time being, but also by those who represent in the Legislature, Her Majesty's Opposition. Perhaps one of the most important functions that an Opposition performs is the careful criticism and amendment of those measures which are from time to time submitted to us by the Government. The Opposition, also, where the principles of parliamentary government are fairly carried out, are enabled to exercise a wholesome check and control over the exercise of patronage and the expenditure of public moneys. In fact, the Government is again and again importuned by its friends to make expenditures and appointments which can scarcely be justified on the ground of public necessity; and the vigilant exercise of supervision by an Opposition, where fair play is given to the discharge of its functions enables it to strengthen the hands of the Government in resisting pretensions that are not capable of justification on the grounds of public policy or public necessity.[1]

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[1] Mr. Flynn—Can. Hansard, 1890, p. 1872.

The present Premier of Canada once said that "a Government's strength was to be measured by its power of resistance to the demands for expenditure by camp followers and partisans." The chances of its refusing appropriations for improper objects are greatly improved, however, whenever the opposition party is well represented in the legislature.

As a means of making the opposition more effective, the Dominion Parliament on July 17th, 1905, enacted a statute [2] granting "to the member occupying the recognized position of Leader of the Opposition in the House of Commons" the same salary as allowed a Cabinet Minister. In the course of the debate on this unique piece of legislation, it was said:

> I notice that it is stated in some quarters that it is both novel and illogical for Parliament to pay any remuneration above the sessional indemnity to the recognized leader of the opposition. . . . Under the constitution of the mother country, under the law and the constitution, there is no such office recognized as Prime Minister, no such office recognized as leader of the opposition, but under the usages of our constitutional system the Prime Minister and the

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[1] Mr. Mills—Can. Hansard, 1890, p. 1860.

[2] 4-5 Edward VII, Chap. 43, Sec. 2.

leader of the opposition are important factors in the public life of the country. In Canada the existence of a Prime Minister is recognized by our statutes, because you find under the revised statutes that the First Minister is to get $1,000 (now $5,000) more than the other members of the cabinet. I find also that we recognize the existence of the leader of the opposition under our constitutional system in Canada by the fact that we appropriate in this parliament every year a certain amount of public funds for clerical services for the leader of the opposition. Therefore, there is in that case a recognition not only of the Prime Minister, as such, in Canada, but also of the existence of the leader of the opposition, and in Ontario in the estimates of 1905, it is expressly stated that a certain amount of money shall be given every year for: Clerks of committees, secretary to the Speaker, and leader of the opposition for salaries $5,000.

That is a distinct recognition of the position of leader of the opposition in the great province of Ontario. Then in that province also by referring to the Revised Statutes of Ontario, Vol. I, Chapter 8, sections 40 and 41, it will be seen that in the case of elections there are circumstances in which the certificate[1] must be signed by the leader of the opposition in Ontario.[2]

In giving this day an indemnity to the recognized person who occupies the position of leader of the opposition, I do not admit that we are making a departure from our system of constitutional government; I contend that we are simply coming to a new stage in the development of constitutional government. It is a strange fact, but it is a fact which is known to everybody that the very basis of our system of constitutional government is that the cabinet h no recognized position under the law. The system has been gradually evolved in the course of ages by the nation which has been the head and front and mother of all constitutional parliaments everywhere. But in Great Britain it so happens that the men who are engaged in the task of legislating for the nation all belong to a class which we have not in this country; that is to say they are men of leisure or of means; we are all bound to work for the bread of every day and we must recognize this and are simply recognizing it. The leader of the opposition under our system is just as much a part of the constitutional system of government as the Prime Minister himself. We acknowledge that it is better for the country, that it is indeed essential for the country that the shades of opinion which are represented on both sides of this House should be placed as far as possible on a footing of equality and that we should have a strong opposition to voice the views of those who do not think with the majority, and moreover that we should have that legitimate criticism, not only legitimate criticism, but necessary criticism which is essential to good government in any land. I have thought for a long time that it is not fair that the person who holds the position of leader of the opposition should be called upon to give his services to the country without any remuneration at all.[1]

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[1] Waiving requirement for new registration of voters in cases of by-elections.

[2] Mr. Stockton—Can. Hansard, 1905, p. 9728.

This is but a further evidence of the development of our system of responsible government. We do not doubt for a moment that the leader of the opposition has great labors to perform. We who watch the man, whoever he may be, who occupies that position, from day to day know that he is obliged to be most diligent and watchful and that he is no less responsible in the way of attendance on the House than any cabinet minister and that he has to devote to his public duties as much time as any minister. Even out of session he has large and important responsibilities which under our system of government seem to be necessary for the working out of our own government.[1]

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[1] Sir Wilfrid Laurier—Can. Hansard, 1905, p. 9729.

If it be accepted that members of the Opposition have certain duties to perform and that they should devote their talents and energies to help perfect by intelligent and useful comment the legislation of the country, they should be given free scope for the carrying out of their functions. Considering that there can be no good government without opposition criticism, it can only be termed strange that Canadian party leaders have not taken more steps to make such criticism effective. Yet, as will be pointed out in a later chapter, we shall see them countenancing a course of procedure at the sessions of the Public Accounts Committees which prevents any thorough investigation into government expenditures. This policy is all the more short-sighted for the reason that there is a certain tendency in all governments to become lax or even corrupt after they have been in power for a considerable interval. If the Opposition are allowed full rein to their investigations there is greater likelihood that improper expenditures will be discovered at the outset. This is particularly true of the expenditures of the Public Works Department which has been termed "the great spending department, the possible great jobbery department, the department that can make or ruin a government." [2]

On account mainly of this limitation of the most important duty of the Opposition, the political pendulum in

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[1] Hon. Mr. Fielding—Can. Hansard, 1905, p. 9730.

[2] Hon. Alexander Mackenzie, letter of April 27, 1875.

Canada, in the Provinces especially, has been apt to swing with extreme violence from one side to the other. The history of the late conservative Government in British Columbia is a case in point. Originally elected as a reform administration, it rigorously cut down expenditure at first and enforced economy in all branches of the public service. Later on, with no opposition party of any moment to act as a damper, the Government threw caution to the winds and embarked on a policy of lavish expenditures. Many irregularities having come to light, the Government was swept from power in the election of 1916. In place of securing only two out of a total of forty-seven districts as previously, the Opposition carried all but ten districts at the last election. Possessing such an overwhelming majority and faced with a numerically weak and thoroughly discredited Opposition, the new Government, composed of the members of the former Opposition, may succumb in time to the same temptations which wrecked the lately dismissed administration and may in turn be dismissed for improperly handling the provincial finances.

As the Opposition in Canada is prevented from properly investigating past expenditures, its activities, as far as budget procedure is concerned, are confined to a criticism of proposed government outlays as revealed in the Estimates submitted to Parliament. The lines which this criticism should follow have been described as follows:

> Where an opposition are not able to get, within a reasonable time and without unduly protracting the session, information which would enable them to discriminate between hundreds of items brought down to this House, when they are unable to get

> information which would put them in the same position for forming an opinion that the government are in, the proper duty for an opposition is to protest against excessive expenditure, to throw upon the government the responsibility for making it, knowing as they do that the government have within their power the means of reducing that expenditure by eliminating from it items which are less worthy of public appropriation than those which are necessary to be made. That is the view which has been put ✓ forward in the English House of Commons as a sound principle, that an opposition in protesting, as we have protested, against undue expenditure have discharged their duty without dealing in detail with the particular items of the expenditure brought down by the government.[1]

In conclusion, the following extract may profitably be quoted on the question whether or not an Opposition should content itself with a mere criticism of the government's Estimates:

> We are told by the Minister of Finance of this country that because the opposition did not divide the House on an estimate, therefore they consented to it. Let him read the speech of Mr. Chamberlain where he shows the absurdity of such an argument, let him read the speeches of leading statesmen in England ✓ on the same subject, and he will find that they hold the principle that the duty of an opposition is merely criticism, not to divide the House on an item, but to leave the entire responsibility with the government who propose it. If we do not divide the House upon it, that is no reason why we should be accused of supporting the vote. . . . Our opposition is not so much for the purpose of influencing the government as for the purpose of influencing the country, because

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[1] Mr. Borden—Can. Hansard, 1902, p. 4821.

we know we are in a minority in this House. . . . The position we occupy as a party is that for every item in the estimates the government of the day are responsible, and that our functions are confined to criticising an item we object to.[1]

[1] Mr. Haggart—Can. Hansard, 1902, p. 1271.

CHAPTER VIII

ORGANS AND OFFICERS FOR THE ADMINISTRATION OF THE FINANCES

In broad outlines the law regarding the custody, disbursement and audit of public funds is to be found in the two statutes: "An Act Respecting the Department of Finance and the Treasury Board," and "An Act Respecting the Public Revenue, the Raising of Loans Authorized by Parliament, and the Auditing of the Public Accounts," the short titles of which are "Department of Finance and Treasury Board Act," and "Consolidated Revenue and Audit Act."[1]

Before proceeding to a consideration of the procedure employed by the Canadian government for the receipt, custody, issue, expenditure and audit of public funds, mention should first be made of the several organs and officers that have been created by the Dominion for the handling of these affairs.

Parliament as the Fund Raising and Granting Authority. At the top of the system is, of course, Parliament itself. It is the body which prescribes what revenues shall be collected and to what purposes the money so raised shall be applied. Its function, however, does not cease here. It is its duty to see that the revenues authorized to be collected shall be duly collected and deposited in the public treasury, that the funds granted by it shall be expended for the purposes specified by it and for those purposes only, and that a due accounting is had of all moneys so collected and expended. For this purpose it has made provision for two officers or organs, the Auditor General and the Committee on Accounts, the functions and duties of which will hereafter be more specifically described.

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[1] The text of these acts is given in Appendices 1 and 2. They constitute Chapters 23 and 24 of the Revised Statutes of Canada, 1906.

The Governor in Council. Next in authority is the Governor in Council. By this term is meant the Cabinet sitting formally for the taking of action and especially the issuance of orders known as "Orders in Council" in pursuance of authority vested in it by act of Parliament or Royal Prerogative.[1] A reading of the two acts respecting the Department of Finance and the Treasury Board, and the Public Revenue and Auditing of Public Accounts, which are reproduced in the Appendices, shows that Parliament has by formal act vested in this body exceedingly broad powers in respect to the determination of how the public revenue shall be collected, cared for and disbursed.

Thus, for example, in respect to the management of the public debt the act prescribes that:—

The Governor in Council may from time to time—

(a) make such regulations as he deems necessary for the management of the public debt of Canada and the payment of the interest thereon; and

(b) subject to the provisions of the two next following sections, provide for the creation and management of a sinking fund or other means of securing the repayment of any loans raised under the authority of Parliament; and

(c) appoint one or more fiscal agents of Canada in the City of London, England, or elsewhere, and agree with them for negotiating loans, and for paying the interest on the public debt, and for other services connected with the management of the said debt; and

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[1] Though the term employed is "Governor in Council" it is hardly necessary to say that the Governor does not personally participate in any way in proceedings of the Council or Cabinet. The phrase is employed since all the action taken is taken in his name in the same way that the acts of the British Cabinet are performed in the name of Crown.

(d) pay the sums necessary to provide such sinking fund or other means as aforesaid, and such compensation, out of the Consolidated Revenue Fund.

Again, in respect to the collection of the revenue it is provided:—

The Governor in Council may, from time to time, determine what officers or persons it is necessary to employ in collecting, managing or accounting for the revenue, and in carrying into effect the laws thereunto relating, or for preventing any violation of such laws; and may assign their names of office, and such salaries or pay for their labours and responsibility in the execution of the duties of their respective offices and employments, as to the Governor in Council seems reasonable and necessary, and may appoint the times and manner in which the same shall be paid; Provided that no such officer so appointed shall receive a higher annual salary than is allowed in his case by any Act of the Parliament of Canada then in force respecting the Civil Service generally; nor shall any such salary be paid until voted by Parliament.

The Governor in Council may, from time to time—

(a) make such divisions of Canada into parts, revenue districts or otherwise, as are required with regard to the collection or management of the revenue; and

(b) assign the officers or persons by whom any duty or service relative to any such purpose shall be performed within or for any such district or division, and the places within the same where such duty or service shall be performed; and

(c) make all such regulations concerning such officers and persons, and the conduct and management of the business to them entrusted, as are consistent with the law, and as he deems expedient for carrying it into effect, in the manner best adapted to promote the public good.

There are a large number of other provisions scattered through the Consolidated Revenue and Audit Act vesting power in the Governor in Council in respect to the administration of the finances of the nation. The sections quoted, however, serve to illustrate the extent to which the Canadian Parliament has departed from the principle usually followed by the American Congress, of seeking to prescribe in detail through statute how administrative services shall be organized and conducted. The superior flexibility thus given to the administration system and its ability to meet new conditions as they arise need not be commented upon.

In considering these powers of the Canadian Cabinet note should also be taken of the powers conferred upon the Treasury Board, an organ about to be described since that body is in effect but a committee of the Cabinet for finance matters.

The Treasury Board. The establishment of this important body is provided for by the following sections of the Department of Finance and Treasury Board Act.

There shall be a Board to be called the Treasury Board, consisting of the Minister of Finance and any five of the ministers belonging to the King's Privy Council for Canada, to be nominated from time to time by the Governor in Council.

The Treasury Board shall act as a committee of the King's Privy Council for Canada, on all matters relating to finance, revenue and expenditure, or public accounts, which are referred to it by the Council, or to which the Board thinks it necessary to call the attention of the Council, and shall have power to require from any public department, board, officer, or other person, bound by law to furnish the same to the Government, any account, return, statement, document, or information which the Board deems requisite for the due performance of its duties.

The Minister of Finance shall be the Chairman of the Treasury Board, and the Deputy Minister of Finance shall be *ex officio* the Secretary thereof, and through him the Board shall communicate with any public department, officer, or other person.

A plan of account books and accounts, adapted to the requirements of each department or branch of the public service, in order to exhibit in convenient form the whole of the receipts and payments in respect of each rate, shall be designed under the superintendence of the Treasury Board; and the Governor in Council may, on report from the Treasury Board, prescribe, from time to time, the manner in which each Department of the public service shall keep its accounts.

The Treasury Board may direct any officer or person employed in collecting, managing or accounting for any branch of the revenue, to keep any books or accounts which it deems advisable to direct to be kept for the purpose of obtaining and furnishing any statistical information concerning the trade or commerce of Canada, the public works thereof, or other matters of public interest.

These duties are materially supplemented by provisions contained in the Consolidated Revenue and Audit Act which makes constant allusion to action that is to be taken by the Treasury Board. This act thus provides; that every public officer into whose hands come any public moneys, whether in the nature of revenue or fees of office, or whose duty it is to pay out public moneys shall render an account of such receipts and payments to the Auditor General at such times and in such form as the Treasury Board shall prescribe; that the Treasury Board may alter the time at or to which any accountant for public moneys, public officer, corporation or institution is required to render any account or to make may return whenever in its opinion such alteration will facilitate the correct preparation of the public accounts or estimates for the fiscal year; that the Treasury Board may, from time to time, appoint the times and mode in which any officer or person employed in the collection or management of, or the accounting for, any part of the revenue, shall account for and pay over the public moneys which come into his hands and determine the times and mode in which, and the officer by whom, any licenses on which any duty is payable are to be issued; and that the Minister of Customs, the Minister of Inland Revenues, the Postmaster General and all other officers charged with the receipt of public moneys shall render daily account to the Auditor General of the money so collected and deposited in bank to the credit of the Minister of Finance and Receiver General in such form as the Treasury Board shall prescribe.

It will be seen from these provisions that the Treasury Board is the body to which is entrusted the authority to prescribe the whole system of government accounting and reporting, subject only to certain general provisions which are contained in the Consolidated Revenue and Audit Act. This body thus has ample power to prescribe and enforce a system of accounting and reporting that shall be uniform throughout all government services. It does not appear, however, that this authority has been affirmatively exercised, with the result that the several services in large part determine for themselves how their accounts shall be kept and their reports prepared.

Another most important function of the Treasury Board is that of acting as a board for passing upon appeals from decisions of the Auditor General with reference to both the issue of money from the Treasury and the propriety or legality of disbursements. This function, however, is one which it is better to describe when the procedure employed in making issues from the treasury and in auditing accounts of disbursements is considered.

Finally, mention should be made of the fact that the Treasury Board has been given certain duties with reference to the administration of the systems of savings banks, penny banks and insurance, and that, in its capacity as a committee of the Cabinet, it plays an important role in the way of relieving the latter body of many details of administration. To it come, for example, such matters as proposed appointments and promotions, questions of salaries, pensions, allowances and leaves of absence. In these cases the decisions of the board are not final, but must be reported to the Council for its approval. It has been suggested that many of these duties are not important enough to require the personal attention of the entire Cabinet or of a committee of six of its members, and that their performance might better be handed over to the heads of the departments concerned, or, with reference to promotions and appointments, to a specially constituted board.[1]

Department of Finance. For the actual conduct of financial affairs provision is made for a service known as the Department of Finance. The duties of this department, as set forth in the Department of Finance and Treasury Board Act, are to have "the supervision, control and direction of all matters relating to the financial affairs of public accounts, revenue and expenditure of Canada, which are not, or in so far as they are not, by law, or by order of the Governor in Council, assigned to any other department of the Government, and such other duties as are, from time to time, assigned to it by the Governor in Council."

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[1] See report by Sir George Murray on the Organization of the Public Service of Canada, 1912, p. 9.

At the head of this department is placed an official usually known as Minister of Finance, but whose full title is Minister of Finance and Receiver General. He is appointed by the Governor General in Council and holds office during pleasure; that is, of course, as long as the political party to which he belongs remains in power. He is, in fact, a high political officer and one of the most important members of the Canadian Cabinet. His duties are primarily political. Only in relatively slight degree does he concern himself with the actual work of administering the affairs of his department.

The real administrative head of the Finance Department is the Deputy Minister of Finance and Receiver General, who is likewise appointed by the Governor General in Council and holds office during pleasure. The act thus provides:

> The Deputy Minister of Finance shall, under the Minister of Finance, keep the accounts with the financial agents of Canada in England and with the bank or banks receiving or paying public moneys, and the accounts of moneys paid for interest on Canadian stock, debentures or other Canadian securities.
>
> The Deputy Minister of Finance shall classify all appropriations of public moneys and keep posted up

a book to be called the appropriation book, containing an account, under separate and distinct heads, of every such appropriation, whether permanent or temporary, entering under each head the amounts drawn on account of such appropriation with the dates and names of the persons to whom payments are made; and shall, under the Minister of Finance, keep the public accounts of Canada.

All returns and statements required from savings banks, chartered or other banks, and all other institutions required to make financial statements or returns, shall, when no other provision is made in that behalf, be transmitted to the Deputy Minister of Finance.

It will be seen from the sections which have been quoted that the Deputy Minister of Finance is, by statute, placed at the head of the accounting system of the government.

It is also provided by the act that the Deputy Minister shall be *ex officio* Secretary of the Treasury Board.

An inspection of the statutory provisions which have been quoted, and which practically exhaust the functions of the Department of Finance as laid down in this organic act, indicates that there is explicitly given to the department no such controlling authority over the expenditures of the other departments as is exercised by the Treasury of Great Britain. It would indeed be possible, under the statute, for a practice to develop and a tradition to grow up which would endow the Finance Department with such a comprehensive and effective controlling authority. In fact, however, no such beneficent centralized directing financial control has come into being or indeed shown a tendency to develop. As has been earlier pointed out, the Minister of Finance is given the opportunity to inspect the estimates of the other departments before they are accepted by the Cabinet for presentation to Parliament, and this opportunity is undoubtedly made use of to urge economies upon the other services, but these urgings have not the weight that those of the British Treasury have, and, at the best, in almost all cases they relate to totals rather than to specific items. In other words, as has been earlier pointed out, the main concern of the Canadian Minister of Finance is to see that the total amounts of supply that it will be necessary for the Cabinet to ask of Parliament shall not be greater than is desirable from the standpoint of political party expediency.

Though primarily but a department for the handling of the bookkeeping operations of the government, the Department of Finance also performs certain other duties which have been imposed upon it by statute. Thus, for example, pensions, superannuation allowances, and subsidies to the Provinces are placed more or less under the control of the Finance Department. These, it is evident, are functions largely of a bookkeeping character. But, in addition, a considerable number of miscellaneous matters have been imposed upon the department, as for example, the Ottawa Improvement Commission, the National Battlefields Commission, the Academy of Arts, and other scientific and patriotic orders, the Ottawa Branch of the Royal Mint, etc. It should also be added that the Comptroller of the Dominion Currency is an official under this department as are also the Commissioner and Assistant Commissioner of Taxation.

It will thus be seen that the Canadian Department of Finance, as regards its functions and political influence, stands about midway between the British Treasury and the Treasury Department at Washington. It has more influence over the general estimates and expenditures of the other services of the general government than has the American Treasury, but far less than has the British Treasury. It has more miscellaneous functions than has the British Treasury but less than the American Department.

Chartered Banks of Canada as Custodians of the Public Funds. For the actual custody of the public funds use is made of the chartered banks of Canada and their many branches. These banks are designated by the Minister of Finance. The revenue is collected all over the Dominion. Generally speaking, the officers collecting such revenue, or having fees or public moneys of any kind coming into their hands, are required to deposit such receipts daily in the local banks which have been designated by the Minister of Finance. Upon doing so they receive a receipt in triplicate—one for the depositor, a duplicate for his department, and a triplicate for the Receiver General. The triplicate has a draft attached made payable at par to the Receiver General at its branch at Ottawa where the government account is kept.

These receipts and drafts flow in regularly, daily, through the mails and are brought to account in the books of the Finance Department.

Though paid into the various banks throughout the Dominion at the places of collection, the general fiscal agent of the Dominion is the Bank of Montreal, the largest bank in Canada, and indeed one of the largest on the continent. Thus, as will presently appear, expenditure checks are drawn on that bank by the government which is reimbursed by checks in its favor drawn upon the government's balances in the other banks.[1] No interest is paid by the banks upon the government's deposits, and, reciprocally, no charge is made for the services performed by them for the government. There is undoubtedly opportunity for political favoritism in the designation of banks for deposits of public revenues, but it would not appear that this opportunity has been so greatly abused as to give rise to any serious injustices or charges of overt graft.

The following statements from the "Civil Service of Canada,"[2] gives further interesting details regarding the manner in which the current revenues of the Dominion are covered into the Consolidated Fund, and the current reports and statistics relating to them.

> A great number of the offices of the chartered banks in Canada are, in effect, sub-agencies of the Finance Department. On December 31, 1913, there were 3,008 such offices doing business. In each city or hamlet, some bank or banks are authorized to accept deposits to the credit of the Receiver General. By an efficient voucher system these revenues are reported, by civil servants all over Canada, to the Deputy Minister of the department concerned in Ottawa. Daily or periodically, each department

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[1] The following testimony by Sir Edward Clouston, General Manager of the Bank of Montreal, is reported by the National Monetary Commission in the volume entitled "Interviews on the Banking and Currency Systems of Canada," p. 154. Q. Do you have all the Government business? A. We have the most of it, but a number of the other banks have small deposits. The principal account is kept with us. In fact we are the Government bankers. Q. You act as the official agent of the Government? A. Yes; here and in London. We issue all their loans. Q. That is because you are the largest bank; it has nothing to do with your charter conditions? A. No, simply because we have the Government business."

[2] A special issue of The Civilian, p. 51.

sends a statement of revenues to the Department of Finance, and by a system of drafts, funds deposited in banks in remote parts of Canada are garnered and concentrated in the Ottawa branch of the bank concerned or in the head office, if there be no branch of the bank in the capital. There were on December 31, 1913, twenty-four chartered banks, and this department employs nineteen of them for the purpose of collecting revenue. A splendid scheme has been devised to facilitate the handling of the revenue, which on some days amounts to a million and a half dollars. The congested mass of documents is sorted, vouchers made chargeable to the respective banks, and at 12:30 p. m. each day remittances are on the way to the bank in Ottawa by special messenger, or by the mail to the head office of banks not having an agency in Ottawa, and the cash and statements are put through the various ledgers of the department. * * * The Expenditure branch issues cheques, upon proper authorization, for all the expenditures of the Dominion, including repayments of Letter of Credit cheques. A record of the daily revenue is received from the Revenue branch, and a statement showing the amount of cash to the credit of the Receiver General in nineteen Canadian banks, and in the Bank of Montreal, London, is placed on the Deputy Minister's desk at the close of each day's work.

Closely related to the two foregoing branches [Revenue and Expenditure] is the system that is justly the pride of the Department, known as the "Ten Day Ledger." This system has been developed by a gradual evolutionary process; the names of Nutting, Dickieson, and Fraser (now Auditor General) being associated with its establishment. The scientific efficiency of the system may be judged from the fact that three times in each month, on the 10th, 20th, and the last day, a statement of the financial affairs of the Dominion for the current fiscal year is placed on the desk of the Deputy Minister four or five hours after the close of business for the day. * * * In connection with this work there is kept an Appropriation Ledger, being a distribution, according to appropriation, of all expenditures made under parliamentary sanction. * * * The Department also publishes monthly statements in the "Canadian Gazette," such as assets and liabilities of the Dominion, revenue and expenditure, the circulation of Dominion notes, the gold reserve, savings banks' statements, and a compilation of monthly returns of the banks, as required by law.

The Auditor General. The expenditure of public funds involves, as we have seen, three distinct operations; the issue from the public treasury of funds to officers charged with the payment of government obligations, the actual disbursement of these funds by such officers, and the audit of these disbursements. The performance of, or control over, the first and third of these operations is in Canada entrusted to an officer known as Auditor General.

This important official is appointed by the Governor General, as the act declares, "for the more complete examination of the public accounts of Canada, and for reporting thereon to the House of Commons." In fact, however, he deserves the title Comptroller and Auditor General for, as stated, his functions extend beyond those of audit and embrace comprehensive powers of control over proposed disbursements. In order that he may occupy an independent position, it is provided that he shall hold office during good behavior, subject only to removal by the Governor General on address of the Senate and House of Commons. He is also made subject to the Civil Service Superannuation and Retirement Act, except as to his tenure of office. His annual salary, originally four thousand dollars, is now five thousand dollars. It is provided that "The Governor-General in Council shall, from time to time, appoint the officers, clerks and other persons in the office of the Auditor General, and may regulate the numbers and salaries of the respective grades or classes into which the said officers, clerks and others shall be divided." But, subject to approval by the Treasury Board, the Auditor General is given the authority to "make orders and rules for the conduct of the internal business of his office, and prescribe the regulations and forms for the guidance of principal accountants and sub-accountants in making up and rendering their periodical account for examination." The Auditor General is also empowered to suspend or remove from office any persons employed in his office and, subject to the provisions of the Civil Service Act, to promote them for merit. The duties of this officer will be more specifically described when we consider the procedure employed in making issues from the treasury and in auditing the accounts of disbursements.

CHAPTER IX

ISSUE AND DISBURSEMENT OF PUBLIC FUNDS

Having described the machinery that exists for the administration of the financial affairs of the Dominion it remains for us now to consider the principles and procedure employed in the actual performance of the work to be done.

Issue of Public Moneys from the Treasury. As in the British, American and other constitutional systems, careful provision is made that no money shall issue from the public treasury except upon the warrant of some high officer whose duty it is to see that no such issue shall take place except when adequate warrant of law exists therefor. In Canada this officer is the Auditor General. Thus Section 42 of the Consolidated Revenue and Audit Act declares that:

> No cheque for public money shall issue except upon the certificate of the Auditor General that there is parliamentary authority for the expenditure, save only in the following cases:

These excepted cases are two in number and are provided for in the following clauses which follow the one just quoted.

> (a) If, upon any application for a cheque, the Auditor General has reported that there is no parliamentary authority for issuing it, then upon the written opinion of the Minister of Justice that there is such authority, citing it, the Treasury Board may authorize the Deputy Minister of Finance to prepare the cheque, irrespective of the Auditor General's report;

(b) If, when Parliament is not in session, any accident happens to any public work or building which requires an immediate outlay for the repair thereof, or any other occasion arises when any expenditure, not foreseen or provided for by Parliament, is urgently and immediately required for the public good, then upon the report of the Minister of Finance that there is no parliamentary provision, and of the minister having charge of the service in question that the necessity is urgent, the Governor in Council may order a special warrant to be prepared, to be signed by the Governor-General for the issue of the amount estimated to be required, which shall be placed by the Minister of Finance to a special account, against which cheques may issue from time to time in the usual form, as they are required.

The succeeding section, moreover, provides that when the Auditor General refuses to direct the issue of money from the treasury on grounds other than that of parliamentary authority therefor, an appeal from his decision lies to the Treasury Board which can override his decision and order the money to issue. In this case the securing of the opinion of the Minister of Justice is not required. The provisions of the act covering this matter are as follows:

If the Auditor General has refused to certify that a cheque of the Minister of Finance may issue, on the ground that the money is not justly due, or that it is in excess of the authority granted by Council, or for any reason other than that there is no parliamentary authority, then upon a report of the case prepared by the Auditor General and the Deputy Minister of Finance, the Treasury Board shall be the judge of the sufficiency of the Auditor General's objection and may sustain him or order the issue of the cheque in its discretion.

The Auditor General shall, in all cases mentioned in the two sections last preceding, prepare a statement of all such legal opinions, reports of council, special warrants and cheques issued without his certificate, and of all expenditures incurred in consequence thereof, which he shall deliver to the Minister of Finance, who shall present the same to Parliament not later than the third day of the session thereof then next ensuing.

These provisions represent a practice that is in marked contrast to the British system. Under the latter system the Comptroller and Auditor General, the officer corresponding to the Auditor General of Canada, is an officer of Parliament. As such it is his primary duty to see that the commands of his principal are rigidly complied with. He is the one authority through which, in matters financial, the Executive is prevented from expending one penny which has not been authorized by Parliament. There is no way by which the Executive can control or overrule his decisions in respect to the authorizing of the issue of money from the treasury.

In the Canadian system the Auditor General has more the status of an officer of the executive branch of government and, as indicated by the sections of the act quoted, his decisions both in respect to the issue of money from the treasury and, as will later appear, in respect to the allowance of particular disbursements, can in cases be overruled by a superior executive authority.

It should be noted, however, that care has been taken to give to the Auditor General independence in the exercise of his duties through the provision giving to him a status similar to that of judges in that he can be removed from office only on an address of the two Houses of Parliament, and that, when his decision is based upon the contention that parliamentary authority for the issue of the money does not exist, his decision can be overruled by the Treasury Board only upon the written opinion of the Minister of Justice that there is parliamentary authority for the issue of the money. In all cases, also, where the action of the Auditor General is overruled a full report must be made to Parliament by the Minister of Finance.

The provision authorizing the issue and expenditure of money that has not been appropriated by Parliament through the use of Governor General's warrants is likewise a wide departure from both British and American practice. The practical operation of this system is elsewhere fully described and commented upon.

Turning now to the procedure employed in securing the issue of money from the treasury, the Consolidated Revenue and Audit Act provides:

> When any sum of money has been granted to His Majesty by Parliament to defray expenses for any specified public service, the Governor-General may, from time to time, under his sign manual, countersigned by a member of the Treasury Board, authorize and require the Minister of Finance to issue out of the moneys in his hands, appropriated for defraying the expenses of such service, the sums required, from time to time, to defray such expenses, not exceeding the amount of the sum so voted or granted.
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> When any sum of money has been granted to His Majesty by Parliament to defray expenses for any specified public service, and as soon as the Governor-General has issued his warrant authorizing the payment of such sum or sums as are required to defray such expenses, the Minister of Finance may, from time to time, on the application of the Auditor General cause credits to be issued in favor of the deputy heads, officers, clerks or other persons connected with

the several departments or services charged with expenditure of the moneys so authorized.

Such credits shall issue on the several banks authorized to receive public moneys.

Statements in duplicate of moneys drawn for under such credits, together with the cheques paid by the banks in connection therewith, shall be rendered under such forms, and once in each month or more often, at such times as the Treasury Board directs, one duplicate of such statement, together with the cheques, shall be rendered to the Auditor-General, and the other duplicate to the Minister of Finance.

The Auditor General, being satisfied of the correctness of the statement, may request the Minister of Finance to cause cheques to be prepared to reimburse the banks for advances under such credits to cover the expenditures made or authorized.

Such cheques shall be signed by the Minister of Finance and countersigned by the Auditor General, or signed and countersigned by their respective deputies or officers thereunto duly authorized.

No such credit shall issue in favor of any officer or other person in excess of any appropriation authorized by act of Parliament.[1]

From these statutory provisions the procedure by which public moneys are paid out from the Consolidated Fund is made fairly plain. It will, however, be advisable to recapitulate the various steps.

As in England, an appropriation or supply bill having been passed by the Parliament and having received the assent of the Governor General, the effect is to place the

[1] Certain payments are statutory and do not require annual appropriations, such as interest on and redemption of public debt, the Governor General's salary, salaries of Lieutenant Governors, Ministers of the Crown, the Auditor General, judges' salaries, subsidies to Provinces, indemnities to Senators and Members, superannuation and certain pensions and other payments extending over a term of years and authorized by Special Acts of Parliament.

sum specified at the disposal of the Executive. The first step then for its expenditure is to obtain an order from the Executive, that is, from the Governor in Council, authorizing the issuance of a certain amount from the treasury and placing it at the disposal of a specified public service.[1] The various departments make application to the Minister of Finance that this be done. Usually about a month's requirements are asked for. These applications are passed over to the Auditor General who satisfies himself that Parliament has made the necessary appropriations and then issues a certificate that is termed a "Letter of Credit" on a bank which has government funds on deposit.

The letter of credit is then issued by the Finance Department and bears the countersignature of the Auditor General. Its effect is to authorize the bank to pay all checks drawn by the department concerned. These checks are payable at par throughout Canada and are charged by the bank to its Letter of Credit Account.

Disbursement of Public Funds. As in the United States government, claims against the government may be settled and paid in two ways: One, on the direct order of the Auditor General by means of what in the United States is known as a settlement warrant; and, two, by payment by a disbursing officer out of funds which have been placed at his disposal through a letter of credit.

There are two methods whereby accounts may be paid. One is what I may call the letter of credit system and the other deals with the payment of accounts in a somewhat different way. Under the letter of credit system, where an appropriation has been made to a given department, a certain part of that appropriation is placed to the credit of the department in the form of a letter of credit given to one of the banks. In that case parties having claims against the department can go directly to the department and upon their claims being properly certified can receive their money at once. Perhaps by way of illustration, we might take the case that was brought to our notice the other day in connection with the indemnity of members. That is paid by the letter of credit system. . . . A member will go to the clerk's office in one of the neighboring rooms, and upon satisfying the clerk that he is entitled to his indemnity, receives a check which is the equivalent of money, and the transaction is closed. That method runs through all the departments to which letters of credit are issued. The other method is by direct audit of each account. If I were to apply it to the case of a member of Parliament, instead of going to a neighboring room and getting the amount at once from the clerk, he would satisfy the clerk that the amount was due. Thereupon a certificate would issue and an application be made to the Auditor General. The Auditor General, having in due course certified that the amount was due, would make application to the Minister of Finance, who in due course would authorize the payment, and ultimately the party concerned would get his money. By the letter of credit system he gets the money immediately, while under the other system, he is obliged to pass through the direct audit system, and that involves sometimes necessarily, and sometimes unnecessarily, we think, a considerable amount of delay.[1]

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[1] Or in certain cases the disbursement may be made directly from the treasury. The payments thus made correspond to what are known in the United States as "settlement warrants."

As soon as this letter of credit has been issued, the department is at liberty, as has been said, to issue against the amount named therein its own checks. Statements are made out in duplicate of all the moneys paid out under each individual letter of credit. One of these with the checks actually issued goes to the Auditor General and the other is sent to the Minister of Finance. If satisfied as to the correctness of the statement submitted and with the proof furnished that the moneys paid have been received by those to whom it was really due, the Auditor General then requests the Minister of Finance to have a check made out in favor of the bank to reimburse it for the advances made by it under the letter of credit.

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[1] Mr. Fielding—Can. Hansard, 1903, pp. 11, 159.

A statement of the checks drawn, with vouchers, is rendered monthly to the Auditor General and having been found correct a certificate is issued to the Finance Department to issue a check in favor of the bank to cover these advances. This check is drawn against the Receiver General's account and countersigned by the Auditor General and the payments charged against the several appropriations concerned.

For convenience and safety there are some expenditures audited before payment, such as progress estimates on large contracts for public works, subsidies to railways, subsidies to Provinces, etc., and in these cases a certificate is issued by the Auditor General that a check may issue on the Receiver General's account. This check will then be issued by the Finance Department.

For convenience, where paymasters are located in distant parts of the Dominion, a letter of credit is issued in favor of the paymaster and his accountant in the same manner as to his department. For instance a letter of credit is issued to the General Manager and Accountant of the Intercolonial Railway, whose headquarters are at Moncton, in New Brunswick, and all the railway employers are paid by check. No cash is placed in the hands of paymasters. All letter of credit checks must be made payable to order and these checks are good evidence of payment. Payments in foreign countries are made by bills of exchange purchased by the Finance Department.

Payments of judges' salaries and certain public functionaries, who are appointed for life or good behavior, superannuation allowances and pensions, where the amounts are fixed charges, are paid in a different manner, viz., the payee names the bank and place at which he desires to draw his pay. On the certificates of the Auditor General the Finance Department issues an order to the bank to pay so and so on deposit of his receipt, with certain evidence that he is living, so much per month until otherwise instructed. The banks send these receipts to their branch at Ottawa who are in turn reimbursed by a check of the Finance Department, usually monthly. Any bank where the man is satisfactorily identified will cash these receipts at par. This system saves the issue of thousands of checks and has been found perfectly safe.

It will be remarked that the Canadian system does not provide for a Paymaster General, as does the British system, but conforms to the American system under which all claims, except those paid on the direct order of the Auditor General, are paid by disbursing officers attached to the several services of the government.

CHAPTER X

AUDIT OF PUBLIC ACCOUNTS

Audit of Disbursements. The Consolidated Revenue and Audit Act provides in detail for the manner in which all disbursements shall be audited. In view of the fact that this act is reproduced in full as an Appendix it will not be necessary to do more than point out certain of its important features.

The first of these is that provision is made that the accounts shall be audited in the first place by the accounting officers of the departments having the expenditure of the funds granted. Section 55 of the act thus reads:

> The deputy heads of the several departments or its officers, clerks or other persons charged with the expenditure of public moneys, shall respectively audit the details of the accounts of the several services in the first instance, and be responsible for the correctness of such audit.

The accounts as so audited are then transmitted to the Auditor General by whom, as it is expressed in the act, they shall be examined "on behalf of the House of Commons." It would appear that this examination need not amount to a detailed reaudit of the accounts except in so far as either the Auditor General himself or the Minister of Finance deems it desirable that such a detailed reaudit shall be made. It is thus provided in Section 59 of the act that:

> If the Auditor General is satisfied that the accounts bear evidence that the vouchers have been completely checked, examined and certified as correct in every respect, and that they have been allowed, and passed by the proper departmental officers, he may admit the

same as satisfactory evidence of payment in support of the charges to which they relate: Provided that, if the Minister of Finance desires any such vouchers to be examined by the Auditor General in greater detail, the Auditor General shall cause such vouchers to be subjected to such further examination in detail as the Minister of Finance thinks fit to prescribe.

This examination of the accounts by the Auditor General is not postponed until the end of the year but proceeds currently, the act providing that:

The Auditor General shall, in order that such examination may, as far as possible, proceed *pari passu* with the cash transactions of the several accounting departments, have free access, at all convenient times, to the books of account and other documents relating to the accounts of such departments, and may require the several departments concerned to furnish him, from time to time, or at regular periods, with accounts of the cash transactions of such departments respectively up to such times or periods.

In addition to other provisions that must be met the act contains the following important requirement:

No payment shall be authorized by the Auditor General in respect of work performed, or material supplied by any person in connection with any part of the public service of Canada, unless in addition to any other voucher or certificate which is required in that behalf, the officer, under whose special charge such part of the public service is, certifies that such work has been performed, or such material supplied, as the case may be, and that the price charged is according to contract, or if not covered by contract, is fair and just.

The Treasury Board as an Organ of Appeal. One of the most important features of the Canadian auditing system is the fact that the Auditor General's rulings are not in all cases final. We have already seen that where the Auditor General has refused to issue his warrant for the issue of money from the treasury on the ground that parliamentary authority therefor is lacking, or for other reasons, that an appeal may be taken from his decision to the Treasury Board, and that the latter may order the money to issue notwithstanding the refusal of the Auditor General to act.

A similar right exists to appeal from the decision of the Auditor General to the Treasury Board when the former refuses to allow an item in making his audit of disbursements. The act thus provides that:

> If, during the progress of the examination by the Auditor General hereinbefore directed, any objection arises to any item to be introduced into the appropriation account of any grant, such objection shall, notwithstanding such account has not been rendered to him, be immediately communicated to the department concerned; and if the objection is not answered to his satisfaction by such department, it shall be referred by him to the Treasury Board, and the Treasury Board shall determine in what manner the items in question shall be entered in the annual appropriation account.[1]

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[1] For an account of a number of the overrulings of the Auditor General by the Treasury Board, together with all correspondence relating thereto, see the Auditor General's Annual Report for 1902-1903. The following may be given as a typical minute of the Treasury Board ordering the issuance of a check notwithstanding the objection of the Auditor General.

"Treasury Board Minute, February 16, 1904.—The board had under consideration the correspondence in connection with the appeal by the Post Office Department from objections raised by the Auditor General regarding the appointment and payment of certain third-class clerks in that department.

"The objections of the Auditor General having been taken under subsections (a) and (c) of section 32 of the Consolidated Revenue and Audit Act, the board had under consideration a report from the Deputy Minister of Finance under date February 10, 1904, presented in accordance with subsection (c) of said section 32, and the docu-

In fact the number of overrullings of the Auditor General is not very great, and though no serious misuse of its authority by the Treasury Board is charged, the practice has not escaped the criticism that the board is apt to decide against the Auditor General in favor of the department head. Thus we find one critic saying:

> There can be no impartial tribunal where men are the judges of their own case, and that is the condition we have, so far as the Treasury Board is concerned. In many cases one of the members of that board is a minister who is in direct conflict with the Auditor General for the time being, and it is only natural that they should consider the matter more or less biased in favor of the department, and prejudiced to some extent against the Auditor General.[1]

In reply to this criticism, one of Canada's foremost statesmen has said:

> The only argument which my honorable friend (Mr. Lennox) has brought against the present Audit Act is that in the case of differences of opinion between the Auditor General and the Government, these differences are referred to the Treasury Board, which simply means making the Government the judges in their own case. I do not dispute that the Government are a committee of Parliament charged with the executive government of the country; it is their duty to carry out the will of Parliament, and in doing so differences of opinion arise between the

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ments referred to in such report. The board had also under consideration a letter from the Deputy Minister of Justice, dated February 12, 1904, in which he states that he is of opinion that sections 20 and 28 of the Act of last session (chapter 9), in amendment to the Civil Service Act, afford parliamentary authority for the appointment and the payment of the salaries of the third-class clerks in question, in which view he states that the Attorney General of Canada concurs.

"The board are of opinion that the objections of the Auditor General are not well taken and should be overruled, and they direct that payment be made of the salaries of the third-class clerks in question. "J. M. COURTNEY, *Secretary.*"

[1] Mr. Lennox—Can. Hansard, 1905, p. 9624.

> Government and the Auditor General which when referred to the Treasury Board practically come before the Government again. My honorable friend says that the Government are asked through the Treasury Board to revise their own acts. But, to put it more correctly, it is a reference to the Government to judge between the Auditor General and the minister who asked for the appropriation. * * * A reference is made to the Treasury Board which is in effect the Government. But there is something above the Government, and that something is Parliament. Parliament can revise the decision of the Government, and it is the duty of the Auditor General to refer to Parliament immediately upon its assembling the differences of opinion which have arisen between himself and the Government. Parliament then has the duty of pronouncing upon the action of the Government and of the Auditor General.[1]

Of the plan to substitute a court of law for the Treasury Board, the same speaker had this to say:

> The change which the Auditor General wanted was that some judicial authority should be substituted for the Treasury Board. If that amendment had been adopted, the result would have been that a judicial authority would have the power to say whether or not certain expenditures ordered by Parliament should be carried out and if carried out in what way it should be carried out. To this we could not assent. We must abide by the existing system which simply is that Parliament votes the money and places it in the hands of the Government to be expended.[2]

As a final observation regarding the duty of the Auditor General to prevent the making of improper payments, it is to be observed that this authority does not extend beyond the raising of legal or technical objections.

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[1] Sir Wilfried Laurier—Can. Hansard, 1905, p. 9627.

[2] Sir Wilfrid Laurier—Can. Hansard, 1905, p. 9629.

His duties are of an inquisitorial and not of an administrative nature. He is merely an officer of verification to see that the government appropriations are spent according to the directions of Parliament. It is not his function to modify contracts or to prevent wasteful expenditures. As pointed out by Mr. Gladstone, his duties are wholly of a legal and not of a political character. The coercive and political side, which appertains to public expenditure, is wholly under the control of the House of Commons and of the Public Accounts Committee.

Public Accounts Committee. We have taken pains to point out that the function of Parliament, or of any fund raising and granting authority, does not cease with the appropriation of money for the conduct of the government. Following the grant it is its duty to assure itself that its orders in respect to the expenditure of public funds are in fact faithfully carried out. The requirement of an audit of disbursements and a report of the results of such audit constitute but the means through which it can perform this function. There still remains the necessity that Parliament shall make provision for the examination by itself of this report and the taking of such action as may be required to correct any abuses discovered.

When the Dominion House of Commons met for the first time after the establishment of confederation, it appointed among its other select standing committees one to review the public accounts. In taking this step ✓ it was merely imitating an English precedent. But the Canadian House did not follow the example of Great Britain's lower chamber in regard to the composition of this important committee. The English Public Accounts Committee consists of only fifteen members, the majority of which, as well as the chairman, are chosen from the ranks of the Opposition. This has been done on the theory that, as the Opposition have the right to investigate government expenditures, it is only proper that both the initiation and the control of any proposed inquiry into the management of the public finances should be in the hands of those opposed to the administration. Members of wide financial experience are appointed to this committee and its chairman is generally an ex-secretary of the English Treasury.

In Canada, on the other hand, the Dominion Public Accounts Committee has had at times over eighty members. The majority of these are always supporters of the Government including the chairman, who is never a member of the Cabinet. This custom which prevails of appointing ministers of the Crown to this committee, has, however, been the subject of adverse comment.

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I believe it is a mistake, I believe it is contrary to the spirit of the public accounts committee and the object for which it is formed, that a large number of ministers should have seats there. I admit the wisdom and propriety of allowing the ministers to be heard before the Public Accounts Committee when the expenditures of their several departments are under consideration by the committee. That can be done, I think, and done in accordance with our rules, but I do say that it cannot but strike the public at large as a very unfair and a very improper thing that we should bring up questions for investigation into the spending departments, and that, again and again, investigation should be refused by a majority composed, as I have said, of the chiefs of these very spending departments.[1]

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[1] Sir Richard Cartwright—Can. Hansard, 1894, p. 1878.

✓ That the large membership of the Dominion Public Accounts Committee is a drag on its efficiency has been frequently conceded.

> It is a working committee and its members are too large. We have not had the same members in attendance *de die in diem;* and there was no certainty that members present one day would be present at the next sitting, and that members would keep up a continuous attention to the business before the committee.[1]

In 1883, the experiment was tried of reducing the size of the committee. But it was quickly restored to its original strength, apparently in order to insure the attendance of a quorum on all occasions.

Originally, the committee was concerned with the audit of the public accounts. It was relieved of this duty, however, in 1878, when the Auditor General's office was established.

As a committee of inquiry the committee possesses very considerable powers.

> Everything between the lids of the Auditor General's report is referred to the committee. It is the right of members there to move that accounts, letters, papers, correspondence and vouchers be laid before the committee—not copies, but the documents themselves, and we have a right to examine these to our hearts' content. And, if we are not satisfied, we have the right to ask the committee to subpoena those who can give us information concerning the matters in question. These may be private citizens; they may be officials in the departments; they may be contractors or even ministers of the Crown; and when these parties come before us we have the right to question and cross-question them like witnesses before a court,

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[1] Sir John A. Macdonald—Can. Hansard, 1883, p. 37.

and to have the original documents in our hands to guide us in that examination. So we have the right to make inquiry along these lines: first, by moving for documents; second, by examining original documents in the departments of the Government; third, by asking to have documents submitted to the committee on public accounts; and, fourth, by asking to have parties brought before that committee for examination.[1]

Witnesses are summoned at public expense before the committee if a member will vouch as to the materiality of the evidence they are to give.

The rule laid down in the public accounts committee and the privileges and elections committee and every committee on which I have had the honor of sitting was that if any gentleman of that committee or any member of this House would stake his reputation on the belief that a witness was material, that witness was called, as a matter of course. And naturally so. Because any gentleman, any member of that committee who took it upon himself without sufficient cause to ask that a witness be summoned, after stating that a witness was material, took his reputation in his hands.[2]

Despite its extensive powers, the fact that the Canadian Public Accounts Committee is controlled by the party in power, and has as its chairman a member of the Cabinet whose acts are to be inquired into, has prevented it from exercising its functions effectively. An examination of its reports and unpublished stenographic transcripts of its meetings will sufficiently show that it fails to make a full and satisfactory investigation of public expenditures. The inadequate results achieved are seen to be due in part to the interjection of party politics into the work of the committee, and in part to the self-interest of the majority element. Instead of both sides uniting in an effort to investigate thoroughly the public accounts so as to disclose all improper expenditures, if any, as should be the case, the chief aim of the Opposition is to uncover such disbursements as will tend to discredit the administration, and the object of the chairman and majority members is to prevent such disclosures. And, in order to avoid embarrassing revelations, the supporters of the Government limit as far as possible all inquiries started by their opponents.

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[1] Mr. Sproule—Can Hansard, 1907-08, p. 1783.
[2] Mr. Borden—Can. Hansard, 1902, p. 1411.

The following extracts from the Canadian Hansard will serve to illustrate the criticism which members of the House have brought against the manner in which the Committee of Public Accounts performs its work.

> In Canada, during the present session, at the first meeting of the public accounts committee, six members moved for 41 sets of papers. There is no doubt whatever that all these papers moved for are demanded for party purposes and in the expectation that campaign literature may be derived therefrom. Of course, it is needless to say that the six members are all opposition members.[1]
>
> The public accounts committee is appointed, in theory, to revise the public accounts, to suggest improvements, to correct errors. But anyone who has attended the meetings of the public accounts committee knows that this is how its machinery works: Those who are opposed to the Government go into an examination of an account; they are never assisted by the supporters of the Government; but in ninety-nine cases out of a hundred they are opposed by the

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[1] Report of Commission on the Civil Service, Canadian Sessional Papers, Volume XLII, No. 15, p. 23.

supporters of the Government, either by every circumstance that can mitigate unfavorable criticism being suggested or by obstacles being actually thrown in the way to prevent a successful issue of the contention of the opposition.[1]

The whole work of the committee (public accounts) seems to be this: One side, the opposition, wants to investigate, and the other side wants to obstruct.[2]

Let a member of Parliament endeavor to ascertain what has been done with the people's money, and the very gentlemen who should assist us in doing so take no interest or part in it, except to block any investigation that may be attempted by gentlemen on this side of the House.[3]

It is well known that for years the principle has been applied, and is daily being applied more frequently, that the Government majority can control what investigations shall be held, what evidence shall be taken, what questions shall be asked, and what answers given, even by witnesses brought down by the opposition.[4]

I do not think the opposition members want any obstruction in the committee; they are at work from the very start of any inquiry to the end, but from the other side there is a fire of objections. * * * If the honorable member for East Grey (Mr. Sproule) asks a question and does not put it in proper legal form and with the precision laid down in the law books, some young gentleman of the legal profession jumps up and tells him he is out of order. * * * The chairman agrees because as he tells us he has to carry on the proceedings as nearly as possible like those of a court of law.[5]

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[1] Mr. Fraser—Can. Hansard, 1902, p. 1894.
[2] Mr. Barker—Can. Hansard, 1906-07, p. 5853.
[3] Mr. Northrup—Can. Hansard, 1906-07, p. 5837.
[4] Mr. Northrup—Can. Hansard, 1906-07, p. 5836.
[5] Mr. Barker—Can. Hansard, 1906-07, p. 5852.

The usual custom in the public accounts committee is for ministers of the Crown to attend that committee, and whenever a witness is called to give evidence which they fear, they are the first to say to the witness: It is not necessary for you to answer that question.[1]

When we go to the public accounts committee and summon parties before us, and have them sworn to tell the truth and when we put a question, some member of the Government says: Don't answer that question. Then we appeal to the chairman of the committee to know if the witness is not obliged to answer the question, and he says: No, he need not answer it if he does not wish. Then we appeal to the committee over the head of the chairman, and by a partisan majority the committee votes almost every time to sustain the ruling of the chair.[2]

It is laid down unmistakably that the public accounts committee has the right to summon any witness required to give information with regard to any item under consideration. Then when we brought witnesses before the committee and asked questions designed to bring out information which we deemed it to be in the public interest to make known, they told the witnesses that they need not answer the question. Is this the duty of a member of the committee? He abandons his place and becomes a counsel for the witness rather than a member of the committee.[3]

They (witnesses) appear before the committee; the important question is asked and there is an absolute refusal to answer. The chairman is again appealed to. He sustains the witness in his refusal. The committee is again appealed to, to do what? Order the witness to answer? No, but simply to report the

[1] Mr. Ingram—Can. Hansard, 1904, p. 1945.

[2] Mr. Sproule—Can. Hansard, 1907-08, p. 1785.

[3] Mr. Sproule—Can. Hansard, 1902, p. 3260.

matter to this House that we may find out on the floor of Parliament whether the question is germane and ought to be answered. That obedient chairman and that obedient majority of the committee refused to allow the evidence to be reported to this House.[1]

Time and time again, when questions have been asked in that committee (on Public Accounts) with regard to public expenditure, the chairman, without waiting for objection to be raised, tells the witness that he has no right to answer the question. It is for the committee to decide whether the question should be answered or not. But the chairman does not wait for any objection from members of the committee. He even goes so far as to say, before a witness is brought in, he will not allow him to answer. Is that partisanship or is it not? I say that the arm of parliament is paralyzed in that committee, and the representatives of the people cannot do their duty; they cannot get the information they ought to have to lay before this House that the public may be able to judge whether there has been a proper expenditure of public money or not.[2]

When in a majority either political party is equally ready to obstruct the inquiry.

If there was one line of demarcation, which in former days was more distinct than another between the two parties, it was the fidelity with which the Reform (Liberal) party claimed to represent the people and sought to wrest from the Crown the control of the people's money because the people contribute it. Where is the Reform party today? The people still contribute the money, but the Reform party today, is the party which declines to allow the representatives of the people to investigate and ascertain how that money has been spent and who received it.[1]

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[1] Mr. Foster—Can. Hansard, 1906, p. 3633.
[2] Mr. Sproule—Can. Hansard, 1906-07, p. 5794.

When the report of the (Public Accounts) committee, based on insufficient evidence, was brought before this House, this House solemnly voted that it was absolutely correct. A report which stated that all the evidence offered had been taken, when every man in the House knew that the committee had steadily refused to admit the evidence, was accepted by this House as a complete and impartial report. * * * Is it any wonder, when such a policy is followed, that our expenditures should have increased from $40,000,000 to over $100,000,000? Is it any wonder that we should find ministers recreant to their duty and allowing contractors, middlemen and others to mulct this country in most extravagant sums and deputy heads vouching for these expenditures, when we find committee after committee of investigation persistently refusing to have any light thrown upon their transactions, and this House endorsing them in their efforts to block legitimate inquiry?[2]

This plain subversion of the original intent and purpose of a public accounts committee explains the comparative infrequency with which the committee meets. Sessions of the committee are held only when some member desires to bring some particular matter to its attention.

The practice has been that the public accounts committee is not called together until some member brings a matter before the committee.[3]

If this session lasts to the first of July, we will have fourteen to say twenty meetings of the public accounts committee. That, at the rate of two hours per day, means forty hours, but half of the time is

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[1] Mr. Northrup—Can. Hansard, 1906-07, p. 5836.
[2] Mr. Northrup—Can. Hansard, 1907-08, p. 5839.
[3] Mr. Middleboro—Can. Hansard, 1916, p. 842.

> taken up at each meeting by members on the liberal side who talk so much that it is impossible to get down to the facts that the committee is endeavoring to investigate. That will leave twenty hours to investigate the whole of the departments of the Government.[1]
>
> This (public accounts) committee is one which it is not convenient to call together very often. We have now been five weeks in session, and we have not yet examined a single witness. * * * As a rule the committee is hardly called together more than once a week; it is with very great difficulty indeed that we have ever succeeded in getting it called together twice a week. We do not know how many weeks it may be our fate to spend here, but at the average rate of proceeding we would not be able to have more than seventeen or eighteen meetings, and it is very doubtful if we would succeed in getting this number.[2]

As a considerable part of its sessions is usually taken up with unprofitable wrangling and full investigation is more or less obstructed, the Dominion Public Accounts Committee rarely if ever reports positive conclusions concerning any matter. It contents itself with simply reporting the testimony taken before it to the House of Commons without any recommendations.

Notwithstanding its defects, however, it is generally admitted, even by its critics, that the Committee on Public Accounts is of great value. The mere fact that any item of expenditure may thus be brought up for hostile examination and criticism, and the evidence regarding it made public, cannot but have a very considerable value in restraining the Government or particular officials from authorizing or permitting improper expenditures. These investigations of the committee might be made more thorough and less tinged with political partisanship, but, such as they are, they constitute a valuable and indispensable link in the parliamentary control of the public purse. In this connection it will be pertinent to quote the words of Durell in his recent work on Parliamentary Grants, with reference to the influence of the Public Accounts Committee of the British House of Commons.[1] He says:

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[1] Mr. J. D. Reid—Can. Hansard, 1905, p. 3663.

[2] Sir Richard Cartwright—Can. Hansard, 1894, p. 1706.

> The admitted influence of the Committee and the important position it has obtained form therefore a striking commentary on the way in which it has performed its work during the past half century, achieving its results in spite of the absence of direct powers of enforcing its reports or recommendations. It has no power, even after the most minute examination and on the clearest evidence, to disallow any item. It can only call attention to it, and express its opinion that it should be disallowed. It has been stated, indeed, that nothing has a greater deterrent effect on a department than the fear of having to go before the Public Accounts Committee, and that the accounting department stands more in awe of this Committee than of the House of Commons itself, probably because there is less chance of escaping its close scrutiny. The Chairman of the Committee expressed the same opinion to the House. "There is," he said, "a great deal of human nature in the world, and fear is one of the greatest helps in keeping men straight. The fear of the Public Accounts Committee, and the very searching examination that takes place there, does a great deal to keep in the path of rectitude the members of the civil service."

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[1] The Principles and Practice of the System of Control over Parliamentary Grants, p. 112.

As has been pointed out, the Public Accounts Committee of the Canadian House of Commons has not proved as efficient an organ of control as has its British prototype, but there can be no question but that what Durell has to say of the latter has, none the less, a considerable application to the former.

It should be borne in mind, however, that whatever changes may be made in the direction of increasing the efficiency of the Public Accounts Committee, economy can better be enforced by stopping useless expenditures beforehand than by having the committee bring the facts in regard to them to light after they have been made.

In this view, closer attention by Parliament to the Estimates is greatly to be desired. As was recently remarked:

> Is there a better way, after all, to stay improper expenditure than to stop the sources of its origin? The Estimates of the Canadian Parliament is the book to read and to revise, if we want to bring about reforms in public expenditures, the reduction of patronage evils and generally political and commercial corruption; for political life is not alone in need of regeneration in Canada.[1]

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[1] Mr. A. K. Maclean—Can. Hansard, 1916, p. 936.

CHAPTER XI

THE SYSTEM OF FINANCIAL REPORTS

For information regarding the national finances the Parliament and people of Canada have available the data contained in four annual publications: the "Estimates," "Public Accounts for the Fiscal Year," "Report of the Auditor General for the Fiscal Year," and "Budget Speech of the Minister of Finance."

The Estimates. The character of the data contained in the Estimates has already been described and illustrated by the reproduction of typical tables. It is sufficient here to say, therefore, that the estimates proper are shown in comparison with the estimates for the preceding year. The comparison thus made is of interest and importance. It should be noted, however, that the showing is one purely of estimates and appropriations and not of actual expenditures. The book of Estimates, furthermore, contains nothing in the way of a statement of revenues or of resources and liabilities. It thus has in no sense the character of a budget in the proper acceptation of that term.

Public Accounts for the Fiscal Year. The Public Accounts for the Fiscal Year is an annual report made by the Minister of Finance in accordance with the following provisions of the Consolidated Revenue and Audit Act:

An annual statement shall be prepared as soon as possible after the termination of each fiscal year exhibiting—

(a) the state of the public debt and the amount chargeable against each of the public works for which any part of the debt has been contracted;

(b) the state of the Consolidated Revenue Fund and the various trusts and special funds under the management of the Government of Canada;

(c) such other accounts and matters as are required to show what the liabilities and assets of Canada really are at the date of such statement.

The Minister of Finance shall cause an account to be prepared and submitted to the Auditor General on or before the thirtieth day of June in every year showing the issues made from the Consolidated Revenue Fund in the fiscal year ended on the thirty-first day of March preceding for services directly under his control.

Such accounts and the reports of the Auditor General thereon shall be laid before the House of Commons by the Minister of Finance on or before the thirty-first day of October next following, if Parliament is then sitting, or, if not sitting, then within one week after Parliament is next assembled.

The Deputy Minister of Finance shall prepare and submit to the Minister of Finance the public accounts to be annually laid before Parliament.

The reports called for by the foregoing provisions are laid before the House of Commons in a single volume entitled "Canada—Public Accounts for the Fiscal Year Ended March 31, ——." This report, which corresponds to the "Finance Report" of the British government, contains an exceptionally complete, compact and clearly presented exposition of the condition of the treasury at the date of its rendition and of the financial operations of the year just ended.[1]

The following table of contents, taken from the report for the year 1916, will show the general scope and character of information furnished by this volume.

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[1] The report for 1916 consisted of a compact octavo volume of 268 pages.

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The first point to strike the attention of the person interested in the finances of the Dominion is the care taken to show the financial resources and obligations of the

Dominion by means of a general balance sheet and summary, and detailed statements of treasury assets and liabilities. In these statements no attempt is made to list and value all public property but only that which may be termed a treasury asset in that it consists of cash, securities, or public works, the product of capital outlays.

A second feature of importance is the detail with which the revenues and expenditures of the Dominion are shown.

Finally, the report has the great value of giving all the more important summaries in the form of tables showing the figures for each year since the establishment of the Dominion in 1867. It is thus possible to determine not only treasury conditions and operations for the year just closed, but those conditions and operations in comparison with the corresponding figures for prior years.

Report of the Auditor General for the Fiscal Year. In addition to the report of Public Accounts which, though in large part prepared by the Auditor General, is submitted to Parliament by the Minister of Finance, the Auditor General is required by the following provision of the Consolidated Revenue and Audit Act to submit directly to the House of Commons a certified report upon the state of the several appropriation accounts:

On or before the thirtieth day of June in every year, accounts of the appropriation of the several supply grants comprised in the Appropriation Act, or in any other Act, for the year ending thirty-first March then last, shall be prepared by the several departments and be transmitted for examination to the Auditor General and to the Deputy Minister of Finance, and, when certified and reported upon, as hereinafter directed, they shall be laid before the House of Commons; and such accounts shall be called the appropriation accounts of the moneys expended for the services to which they respectively relate.

The nature of the appropriation accounts submitted in accordance with this provision may be seen from the following extracts from the Report of the Auditor General for 1916. First is presented a summary of the appropriation accounts under two heads, relating respectively to appropriations under the regular supply bill and to those under permanent or special statutes. They are as follows:

SUMMARY OF GRANT AND EXPENDITURE UNDER SUPPLY BILL, 1915–16

SERVICE	Page	Grant	Expenditure	Grant Not Used	Grant Exceeded
		$ cts.	$ cts.	$ cts.	$ cts.
Administration of Justice	L–2	90,933 34	75,122 33	15,811 01	
Adulteration of Food	I–2	53,000 00	44,721 51	8,278 49	
Arts and Agriculture	A–2	3,308,000 00	2,567,023 32	740,976 68	
Charges of Management	F–2	508,950 00	434,991 87	73,958 13	
Civil Government—Salaries	....	5,672,118 75	5,205,545 90	466,572 85	
Civil Government—Contingencies	....	1,140,138 00	946,244 07	193,893 93	
Customs	D–2	4,215,000 00	3,685,399 40	529,600 00	
Dominion Lands and Parks	K–2	3,732,566 33	3,418,297 80	314,268 53	
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Government of Northwest Territories	K–2	8,000 00	5,232 08	2,854 92	87 00
Government of Yukon Territory	K–2	353,000 00	344,575 39	8,424 61	
Immigration	K–2	1,875,000 00	1,307,480 46	567,519 54	
Indians	H–2	2,058,638 00	1,980,784 48	77,991 70	138 18
Labour	M–2	73,000 00	56,741 58	16,258 42	
Legislation	N–2	1,056,986 50	913,606 48	143,915 29	535 27
Lighthouse and Coast Service	O–2	2,431,115 00	1,937,759 08	493,355 92	
Marine Hospitals	O–2	78,000 00	66,740 80	11,259 20	
Mail Subsidies and Steamship Subventions	Z–2	2,641,234 00	1,680,088 04	961,145 96	
Militia and Defense	P–2	6,039,650 00	4,663,052 87	1,391,649 83	15,052 70
Mines and Geological Survey	Q–2	548,525 80	462,787 33	85,738 47	
Miscellaneous	....	797,950 00	691,225 36	106,832 28	107 64
Naval Service	R–2	2,390,400 00	1,154,426 27	1,235,973 73	
Ocean and River Service	O–2	1,256,982 98	1,213,917 52	43,065 49	
Penitentiaries	L–2	979,700 00	903,318 11	104,478 78	28,096 89
Pensions	....	2,108,069 57	336,331 83	1,771,737 74	
Post Office	S–2	16,678,527 89	16,009,138 77	669,389 12	
Public Works—Capital	V–2	10,334,200 00	6,512,217 97	3,821,982 03	
Public Works — Capital (Marine)	O–4	2,498,000 00	1,937,090 48	560,909 52	
Public Works Consolidated Fund	V–4	23,308,483 99	12,005,645 24	11,302,838 75	
Public Works—Collection of Revenue	V–4	956,500 00	857,877 09	98,765 22	142 31
Quarantine	A–2	248,000 00	203,308 69	44,691 31	
Railways and Canals—Capital	W–5	33,337,275 00	26,381,116 78	6,980,858 19	24,699 97
Railways and Canals—Con. Fund	W–5	876,397 33	622,090 43	254,306 90	
Railways and Canals—Coll. of Rev.	W–5	17,128,900 00	16,472,085 84	656,814 16	
Royal Northwest Mounted Police	X–2	1,403,691 00	1,395,022 45	8,668 55	
Scientific Institutions	O–2	483,873 00	463,494 42	20,378 58	
Steamboat Inspection	O–2	83,265 00	64,884 01	18,380 99	
Trade and Commerce	Z–2	3,957,495 33	1,906,150 43	2,051,344 90	
Weights and Measures, Gas and Electric Light Inspection	I–2	376,950 00	305,215 24	71,734 76	
		157,790,206 81	121,201,649 84	36,657,416 96	68,859 99
Advances to be Repaid (See Note on page b-14.)					
Voted under Immigration; and charged to open account	....	2,963,000 00	....	2,963,000 00	
		160,753,206 81	121,201,649 84	39,620,416 96	68,859 99

SUMMARY OF EXPENDITURE UNDER SPECIAL STATUTES

SERVICE	Page	Expenditure	
		$	cts.
Administration of Justice	L–2	1,402,116	10
Arts and Agriculture	A–2	885,130	44
Charges of Management (Administration of the Currency Act)	F–2	535	41
Charges of Management Loan Account	F–2	3,160,556	55
Civil Government		257,066	66
Fishing Bounty	O–2	158,741	05
Indians	H–2	209,549	00
Interest on Public Debt	F–2	21,421,584	86
Legislation	N–2	266,756	78
Mail Subsidies and Steamship Subventions	Z–2	88,669	23
Militia and Defence	P–2	18,450	12
Miscellaneous		462,668	75
Pensions		334,801	42
Premium, Discount and Exchange	F–2	296,308	70
Public Works—Capital—Exchequer Court Awards	V–2	21,920	46
Public Works— Income—Exchequer Court Awards	V–4	9,397	86
Public Works—Income—Collingwood Dry Dock	V–4	24,208	96
Railways and Canals—Capital	W–5	3,354,499	12
Railways and Canals—Capital—Exchequer Court Awards		360,105	69
Railways and Canals—Income	W–5	96,579	99
Railways and Canals—Collection of Revenue	W–5	4,305,743	84
Railway Subsidies	W–5	1,400,171	42
Subsidies to the Provinces	F–2	11,451,673	28
Sinking Funds	F–2	1,773,021	11
Superannuation	F–2	454,342	04
Trade and Commerce—Bounties	Z–2	109,236	68
War Account (*a*)	Vol. IV.	166,197,755	47
		218,521,590	99
Recapitulation			
Expenditure under Supply Bill		121,201,649	84
Expenditure under Special Statutes		218,521,590	99
		339,723,240	83

(*a*) Grant 5 Geo. V. chap. 23, $100,000,000.00: overdraft, $66,197,755.47; overdraft in 1914-15, see Auditor General's Report, page b-3, $10,750,476.01. Over-expenditure in each case covered by 6-7 Geo. V., chap. 28.

The special statutes referred to in the foregoing summary are, with one exception, more or less permanent provisions fixing salaries, charges and other items, the expenditure of which is mandatory. These statutes are not, therefore, properly appropriation acts; nor are the summary of expenditures under them and its supporting statements properly appropriation accounts. This is clearly indicated by the form in which they are presented, merely that of expenditure summaries, without any of the information as to grants which is given in the accounts of expenditures under the supply bill. They are presented with the appropriation accounts merely for the sake of completeness.

An exception to this statement is, however, found in the last item of the summary of expenditures under special statutes, the "War Account," which embraces over $166,000,000 of the $218,000,000 so expended The special character of this account, as a true appropriation account, is recognized in the table by the footnote appended to it, showing the excess of the expenditure over the appropriation.

The form of presentation of the certified appropriation accounts proper is illustrated by the subjoined table. It will be observed that the grouping, the order and the wording of the items in the appropriation accounts are those employed in the Estimates and in the appropriation act, although the vote numbers found in those documents are not reproduced. The addition to each account proper of a statement of statutory expenditures under the same head has already been referred to.

APPROPRIATION ACCOUNT—LEGISLATION

	Grant	Expenditure	Grant Not Used	Grant Exceeded
	$ cts.	$ cts.	$ cts.	$ cts.
SENATE—				
Salaries and Contingencies..........	114,716 50	104,811 55	9,904 95	
HOUSE OF COMMONS—				
Salary of Deputy Speaker...........	2,000 00	2,000 00	....	
Salaries of officers..................	207,587 50	199,007 86	8,579 64	
Expenses of committees, etc.........	99,700 00	34,382 11	65,317 89	
Contingencies.....................	51,550 00	44,973 75	6,576 25	
Debates..........................	60,000 00	59,035 46	964 54	
Sergeant at Arms—Estimates of.....	78,312 50	52,141 25	26,171 25	
For payment of full sessional indemnity of members—days lost through absence caused by illness	19,000 00	(*a*)	19,000 00	
LIBRARY OF PARLIAMENT—				
Salaries..........................	31,550 00	29,756 16	1,793 84	
Books for general library...........	16,000 00	16,457 47	....	457 47
Books for Library of American History	1,000 00	849 74	150 26	
Contingencies.....................	13,070 00	8,172 60	4,897 40	
GENERAL—				
Printing, printing paper and binding..	300,000 00	300,077 80	....	77 80
*Printing, binding and distributing the Annual Statutes............	10,000 00	9,921 59	78 41	
Contingent expenses in connection with voter's list...............	33,000 00	32,962 93	37 07	
Contingencies of the Clerk of the Crown in Chancery............	5,000 00	4,977 70	22 30	
Provincial voters' lists.............	14,500 00	14,078 51	421 49	
	1,056,986 50	913,606 48	143,915 29	535 27
Under Statute				
SENATE—				
Salary of the Speaker..............	....	4,000 00		
Indemnity and travelling expenses...	....	56,500 20		
HOUSE OF COMMONS—				
Salary of Speaker.................	....	3,574 42		
Indemnity and travelling expenses...	....	174,838 40		
GENERAL—				
Elections........................	....	27,819 76		
Controverted elections.............	....	24 00		
	....	266,756 78		
Summary				
Under Supply Bill..................	1,056,986 50	913,606 48		
Under Statutes....................	....	266,756 78		
	1,056,986 50	1,180,363 26		

(*a*) Expenditure includes with Indemnity—Under Statute.

These accounts have been examined under my direction, and are correct.

J. FRASER,
Auditor General.

Examined,
E. E. STOCKTON.
J. W. REID.

The statute requires the departments to submit to the Auditor General in connection with their appropriation accounts, "a balance sheet so prepared as to show the debit and credit balances in the ledger of such department on the day when the said appropriation account was closed, and also so prepared as to verify the balances appearing upon the annual appropriation account;" and "an explanation showing how the balances on the grant included in the previous report have been adjusted, and . . . an explanatory statement of any excess of expenditure over the grants included in the account." These accompanying statements are not, however, required by the statute to be transmitted to Parliament, and therefore they do not appear in the report of the Auditor General.

In view of the failure of the report to exhibit these statements which, while not required by the statute to be transmitted to Parliament, are yet so highly pertinent to the appropriation accounts, it is the more noteworthy that there are appended to the report proper—the appropriation accounts—extensive and detailed statements of revenue and expenditure.

> ✓ The English audit, and what was formerly the Auditor General's audit, would simply give a statement of the salaries or disbursements, state what amount over or what amount under the grant, and if at any time he found that there was a theft of money or any wrong in any way, he would simply make a note of it and call the attention of the House to it. But this report goes very much further. It is a display of items which have nothing to do with an audit.[1]
>
> When the Auditor General started he started on the English system and his reports were in that form.

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[1] Mr. Foster—Can. Hansard, 1895, p. 2434.

Let any honorable gentleman take the report for 1879, and a number of succeeding years, and read them, and he will see the English system copied exactly. In those days when he came to any department, he simply stated the nature of the expenditure, how much less than granted, or how much more than granted, and, if everything was in proper form, gave his certificate. If there was anything wrong with the account, he made a note of it. I have here the audit for the British Parliament for 1891 and 1892. Take, for instance, the expenditure on royal parks and gardens. You have a statement of the salaries, the grant that was made, what was spent less than was granted, or what was spent more than was granted, under the different items, and the certificate of the Auditor General to that effect. But when we take the report of the Auditor General of the Dominion for 1894, or any other of his reports of late years, we find that it is much more than an audit; it is a display of every item of expenditure and revenue down to its minutest detail, so far as his staff have the time to gather it up.[1]

The characterization just quoted is indeed borne out by the report of the Auditor General for 1915-16. The appropriation accounts comprise but fifty-four of the well-nigh 1500 pages of the report. With minor exceptions[2] the remaining pages are taken up with statements of revenue and expenditure in which the transactions of the several departments are presented with a degree of itemization seldom found in documents dealing with national finances. Both revenue and expenditure reports are first presented in summarized form and are then supported by detailed tables. The form of these summary and detailed statements has so direct a bearing on one of the main problems of the present study—that of determining the extent to which the system of accounting and reporting gets before Parliament and the people the information needed by them for the proper consideration of those finances—that we have thought it warrantable to describe them at some length and to reproduce the summaries in full.[1]

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[1] Mr. Foster—Can. Hansard, 1895, p. 2433.

[2] The report also contains a reproduction of certain correspondence between the Auditor General and other officers of the government relative to certain disputed contract payments; a set of miscellaneous tables showing advertising, printing, and legal expenses; a summary of departmental salaries at Ottawa, and a statement of arrears due the government from various sources.

Both revenue and expenditure summaries are classified by "services,"[2] and by departments. The revenue summaries show only the revenue accruing to the Consolidated Fund. They are as follows:

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[1] For greater clarity in the present discussion of these summaries, the order of their presentation in the report is departed from, and their captions are in some cases modified.

[2] The term "services," as used in connection with revenues in the report, has a meaning different from that attaching to it in connection with appropriations and expenditures. (See p. 89.) It refers to a source of revenue which may or may not be coincident with a single "service."

SUMMARY OF CONSOLIDATED FUND REVENUE BY SERVICES

1914–15	SERVICE	Part	1915–16	Increase	Decrease
$ cts.			$ cts.	$ cts.	$ cts.
19,443 49	Canada Gazette	T	29,863 38	10,419 89	
427,763 14	Canals	W	446,722 21	Dr. 18,959 07	
1,602,619 27	Casual Revenue	b	1,328,124 09	....	274,495 18
294,490 17	Chinese Immigration	Z	Dr. 31,713 75	....	326,203 92
9,973 00	Civil Service Examination fees	Y	10,241 50	268 50	
3,114 54	Cullers' Fees	Z	1,737 07	....	1,377 47
75,941,219 72	Customs	D	98,649,409 48	22,708,189 76	
2,859,714 59	Dominion Lands	K	2,299,550 47	....	560,160 12
35,579 38	Dominion Steamers	O	35,070 88	....	508 50
82,440 20	Electric Light Inspection	I	70,451 75	....	11,988 45
643 38	Exchequer Court Reports	L	140 68	....	502 70
21,382,983 12	Excise	I	22,316,645 23	933,662 11	
49,636 12	Fines and forfeitures	b	81,691 33	32,055 21	
92,757 02	Fisheries	O	96,376 26	3,619 24	
8,878 75	Fisheries—Modus vivendi	O	9,912 00	1,033 25	
56,841 30	Gas inspection	I	46,031 80	....	10,809 50
45,561 77	InsuranceSuperintendence	J	52,951 27	7,389 50	
517,034 63	Inspection of Staples	Z	913,616 46	396,581 83	
2,980,246 87	Interest on Investments	F	3,358,210 13	377,963 26	
9,788 25	Law Stamps	I	11,520 15	1,731 90	
676 00	Lighthouse and Coast Service	O	643 00	....	33 00
72,524 89	Mariners' Fund	O	72,545 65	20 76	
96,747 67	Methylated Spirits	I	111,846 35	15,098 68	
56,596 07	Militia	P	192,299 61	135,703 54	
40,282 36	Military College	P	35,142 19	....	5,140 17
27,281 68	Militia Pensions	P	23,512 99	....	3,768 69
4,409 64	Ordnance Lands	K	5,977 02	1,567 38	
219,011 49	Patent Fees and Trade Marks	A	230,191 95	11,180 46	
44,546 67	Penitentiaries	L	43,164 82	....	1,381 85
13,046,664 68	Post Office	S	18,858,690 10	5,812,025 42	
268,572 33	Premium Discount and Exchange	F	233,717 87	....	34,854 46
376,366 72	Public Works	b	411,787 29	35,420 57	
11,444,873 14	Railway—Intercolonial	W	14,068,791 41	2,511,313 14	
415,495 44	Railway — Prince Edward Island	W	390,926 82	....	24,568 62
23,169 22	Railway—Windsor Branch	W	....	....	23,169 22
153,213 55	Railway — Transcontinental	W	3,758,387 39	3,605,173 84	
21,717 24	Railway—St. John and Quebec	W	54,765 20	33,047 96	
65,468 92	Railway — International of N. B.	W	104,623 49	151,759 70	
25,419 81	Railway—N. B. & P. E. I.	W	50,414 34	24,994 53	
5,262 71	R. N. W. M. Police Pensions	X	5,330 36	67 65	
5,707 38	Steamboat Inspection	O	5,092 12	....	615 26
37,366 22	Superannuation	F	31,796 94	....	5,569 28
98,056 95	War Tax—Inland Revenue	I	1,536,837 94	1,438,780 99	
....	War Tax—Finance	T	2,083,943 78	2,083,943 78	
103,322 24	Weights and Measures	I	110,857 25	7,535 01	
133,073,481 73			172,147,838 27	*39,074,356 54	

* It should be noted that this figure represents the net increase, and not the total of the several items appearing in the "Increase" column.

SUMMARY OF CONSOLIDATED FUND REVENUE BY DEPARTMENTS

1914–15	Department	Part	1915–16	Increase	Decrease
$ cts.			$ cts.	$ cts.	$ cts.
284,998 21	Agriculture	A	307,913 31	22,915 10	143 92
143 92	Archives	B	....	....	
75,981,453 42	Customs	D	98,714,302 42	22,732,849 00	
1,078 00	External Affairs	E	8,062 50	6,984 50	
3,682,995 03	Finance	F	5,946,571 41	2,263,576 38	
13,092 99	Indian Affairs	H	50,803 16	37,710 17	
21,840,718 47	Inland Revenue	I	24,218,216 00	2,377,497 53	
45,561 77	InsuranceSuperintendence	J	52,951 27	7,389 50	
3,176,121 84	Interior	K	2,305,770 04	....	870,351 80
52,479 36	Justice	L	47,519 34	....	4,960 02
1,273 82	Labour	M	1,128 18	....	145 64
11,323 90	Legislation	N	13,949 55	2,625 65	
789,635 67	Marine	O	455,777 33	....	333,858 34
125,784 72	Militia and Defense	P	292,273 36	166,488 64	
634 05	Mines	Q	1,824 62	1,190 57	
136,031 26	Naval Service	R	172,331 76	36,300 50	
13,047,584 41	Post Office	S	18,859,026 97	5,811,442 56	
41,551 31	Printing and Stationery	T	80,672 48	39,121 17	
487,435 94	Public Works	V	507,987 34	20,551 40	
12,702,173 10	Railways and Canals	W	19,045,555 06	6,343,381 96	
5,345 91	Royal N. W. M. Police	X	5,969 50	623,59	
125,018 70	Secretary of State	Y	121,654 05	....	3,364 65
521,045 93	Trade and Commerce	Z	937,578 62	416,532 69	
13,073,481 73			172,147,838 27	*39,074,356 54	

* It should be noted that this figure represents the net increase and not the total of the several items appearing in the "Increase" column.

The expenditures are similarly summarized by services and by departments. Unlike the revenue summaries, these summaries include expenditures not merely from the Consolidated Fund but also from the capital and other special funds, and show the expenditures so segregated. On the other hand they fail to disclose increases or decreases over the preceding year. The summaries for 1915-16 are as follows:

SYSTEM OF FINANCIAL REPORTS

SUMMARY OF EXPENDITURES, BY SERVICES

	Total	
Consolidated Fund	$	cts.
Administration of Justice	1,477,238	43
Adulteration of Food	44,721	51
Arts and Agriculture	3,452,153	76
Charges of Management	435,527	28
Civil Government	6,408,856	63
Customs	3,685,399	40
Dominion Lands and Parks	3,418,297	80
Dominion Police	116,664	54
Excise	897,671	34
Fisheries	1,115,303	29
Government of the Northwest Territories	5,232	08
Government of Yukon Territory	344,575	36
Immigration	1,307,480	49
Indians	2,190,333	48
Interest on Public Debt	21,421,584	86
Labour	56,741	58
Legislation	1,180,363	26
Lighthouse and Coast Service	1,937,759	08
Marine Hospitals	66,740	80
Mail Subsidies and Steamship Subventions	1,768,757	27
Militia and Defence	4,681,502	99
Mines and Geological Survey	462,787	33
Miscellaneous	1,153,894	11
Naval Service	1,154,426	27
Ocean and River Service	1,213,917	52
Penitentiaries	903,318	11
Pensions	671,133	25
Post Office	16,009,138	77
Premium, Discount and Exchange	296,308	70
Public Works, Consolidated Fund	12,039,252	06
Public Works, Collection of Revenue	857,877	09
Quarantine	203,308	69
Railways and Canals, Consolidated Fund	671,590	43
Railways and Canals, Collection of Revenue	20,777,829	68
Royal Northwest Mounted Police	1,395,022	45
Scientific Institutions	463,494	42
Sinking Funds	1,773,021	11
Steamboat Inspection	64,884	01
Subsidies to Provinces	11,451,673	28
Superannuation	454,342	04
Trade and Commerce	1,906,150	43
Weights and Measures, Gas and Electric Light Inspection	305,215	24
	130,241,490	22
Capital		
Public Works	6,534,138	43
Public Works (Marine Department)	1,937,090	48
Railways and Canals	30,095,721	59
	38,566,950	50
Other Expenditures		
War Account	166,197,755	47
Bounties on lead and crude petroleum	109,236	68
Charges of Management—Loan Account	3,160,556	55
Subsidies to Railways	1,400,171	42
Railway Grade Crossing Fund	47,079	99
	170,914,800	11
Recapitulation		
Consolidated Fund	130,241,490	22
Capital	38,566,950	50
Other Expenditures	170,914,800	11
	339,723,240	83

SUMMARY OF EXPENDITURE, BY DEPARTMENTS

Expenditure by Departments	Page	Capital	Consolidated Fund	Other Expenditures	Total
		$ cts.	$ cts.	$ cts.	$ cts.
Agriculture	A–2		4,161,308 72		4,161,308 72
Archives	B–2		110,968 93		110,968 93
Auditor General's Office	C–2		146,724 29		146,724 29
Civil Service Commission	Y–2		41,970 05		41,970 05
Conservation Commission	A–2		126,670 60		126,670 60
Consulting Engineer—Dom. Gov't	U–2		7,535 49		7,535 49
Customs	D–2		4,021,394 49		4,021,394 49
External Affairs	E–2		91,387 48		91,387 48
Finance	F–2		36,907,414 34	(*a*)3,160,556 55	40,067,970 89
Governor General's Secretary's Office	G–2		138,307 84		138,307 84
High Commissioner's Office—London	F–2		54,134 14		54,134 14
Indian Affairs	H–2		2,323,771 33		2,323,771 33
Inland Revenue	I–2		1,400,137 20		1,400,137 20
Insurance	J–3		56,901 17		56,901 17
Interior	K–2		6,597,530 61		6,597,530 61
Justice	L–2		2,696,036 72		2,696,036 72
Labour	M–2		121,621 85		121,621 85
Legislation	N–2		1,183,175 76		1,183,175 76
Marine	O–2	1,937,090 48	3,687,192 83		5,624,283 31
Militia and Defence	P–2		5,399,664 20		5,399,664 20
Mines	Q–2		773,640 45		773,640 45
Naval Service	R–2		2,463,837 56		2,463,837 56
Post Office	S–2		16,858,669 63		16,858,669 63
Printing and Stationery	T–2		252,348 29		252,348 29
Privy Council	U–2		70,880 64		70,880 64
Public Works	V–4	6,534,138 43	13,541,204 35		20,075,342 78
Railways and Canals	W–2	30,095,721 59	21,639,547 73	(*b*)1,447,251 41	53,182,520 73
Royal Northwest Mounted Police	X–2		1,457,418 86		1,457,418 86
Secretary of State	Y–2		117,519 92		117,519 92
Trade and Commerce	Z–2		3,792,574 75	(*c*) 109,236 68	3,901,811 43
War Accounts by Departments ($166,197,755.47)					
Agriculture			5,077 79		5,077 79
Auditor General's Office			4,439 17		4,439 17
External Affairs	Vol IV.		11,211 06		11,211 06
Finance			73,671 16		73,671 16
Governor General's Secretary's Office			9,108 81		9,108 81
Indian Affairs			5,688 83		5,688 83
Inland Revenue			6,723 40		6,723 40
Interior			41,346 13		41,346 13
Justice			1,489,201 35		1,489,201 35
Labour			1,071 19		1,071 19
Legislation			270 00		270 00
Marine and Fisheries			1,529 77		1,529 77
Militia and Defence			160,433,416 42		160,433,416 42
Naval Service			3,274,019 94		3,274,019 94
Post Office			349,672 00		349,672 00
Privy Council			17,346 91		17,346 91
Public Works			94,344 04		94,344 04
Railways and Canals			313,740 73		313,740 73
Secretary of State			21,667 98		21,667 98
Trade and Commerce			14,795 40		14,795 40
War Purchasing Commission			29,413 39		29,413 39
		38,566,950 50	296,439,245 69	4,717,044 64	339,723,240 83

a Charges of Management, Loan Account.

b Railway Subsidies	1,400,171 42	
Railway Crossing Fund	47,079 99	
		1,447,251 41

c Bounties on lead and crude petroleum.

In addition to the foregoing summaries of expenditures, attention should again be called to the "Summary of Grants and Expenditures," already reproduced in connection with the discussion of "Appropriation Accounts" showing the grant and expenditure, and the resulting balance or deficit for each service. The great value of this statement as a financial document, quite aside from its use as a summary of the audit of appropriation accounts, needs no pointing out. It is, therefore, somewhat surprising to find that no similar summary is presented arranged by departments. The absence of such summaries would seem to constitute an omission of vital financial information.

In support of each item of each of the summaries reproduced, there is presented a detailed itemization, under the general head of "Details of Expenditure and Revenue." These detailed tables are arranged by departments only, but the tables of receipts and expenditures for a single department are generally made use of to support both the departmental and the service summaries. This is made possible by the fact that in almost every case a source of revenue is confined to a single department and a service is administered by only one department. Thus, for example, the detailed tables of revenue and expenditure for the Marine and Fisheries Department support not merely the items in the summaries for that department but those for the revenues from Dominion Steamers, Fisheries, Mariners Fund, etc. and those for the expenditures for the Ocean and Rivers Service, the Lighthouse and Coast Service, Steamboat Inspection, etc.[1] This use of the tables is facilitated by summary tables of revenue and expenditure, under each department, preceding the detailed tables and arranged under heads paralleling those used in the main summaries; and by the corresponding division and arrangement of the detailed tables.

The degree of itemization to which these tables of "Details of Expenditure and Revenue" go has already been referred to. The names of all permanent employees are given, the length of time served during the year, and the salary rate. Expenditures for trifling purchases are entered in detail. On the revenue side the items are almost equally replete with detail. The tables thus extend over nearly 1400 closely printed pages.

It is hardly necessary to point out how complete is the information that is presented by these tables and the detailed statement of the expenditures of the several departments, and how thoroughly, through their aid, the financial operations of any service may be studied. The only criticism that may be made regarding these detailed tables is that the items are not always classified in such a way as to bring out significant facts. Instead of being classified according to any principle, the items are listed alphabetically according to the names of payees.

Budget Speech of the Minister of Finance. The budget speech of the Minister of Finance is delivered

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[1] Where a single class of revenues is derived from several departments, an intermediate schedule is given showing the amount of such revenue derived from each department, the departmental tables of revenue in turn serving as supporting schedules to such intermediate schedule. This is done in all three such classes of revenue—casual revenue, fines and forfeitures, and public works revenue. Curiously enough, however, on the expenditure side, when a single "service" is distributed over several departments, no such intermediate schedule is given. Thus, for the two "services" so distributed—Civil Government, and Pensions—the expenditure by departments can be ascertained only by drawing off the figures given in the detailed tables under each department.

upon his making the motion that the Speaker do now leave the chair for the House to go into Committee of Ways and Means. The nature of this address is shown by the budget speech delivered by the Minister of Finance, April 24 of the present year (1917), which, for purposes of illustration, has been reproduced in one of the appendices to this volume.

It will be seen by consulting this appendix that the Minister of Finance makes no attempt in this speech to present any comprehensive or detailed statement of the condition of the finances or the financial operations of the year. Neither does he in it attempt any but the most incidental consideration of the Estimates as brought forward by the Government. The only point receiving any careful attention is that of the proposals of the Government for the raising of revenue either by way of loans or increased taxation. In this the Canadian budget speech corresponds closely with its prototype, the budget speech of the British Chancellor of the Exchequer.

It cannot but be deemed a matter of regret that the occasion of the delivery of this speech is not taken advantage of by the Minister of Finance to get before the House a full exposition of matters relating to the national finances, the revenues and expenditures of the government in the past, the present condition of the public treasury, and the financial and work program of the government for the future. His failure to do so means that the members of the House and all others interested in the national finances are compelled, without guidance on the part of the authorities responsible for the conduct of public affairs, to resort to the financial data which is contained in the original reports which have been described. Ample as these data are, considerable trouble and judgment is required in order to determine their full purport.

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CHAPTER XII

POLITICAL EVILS AND THEIR EFFECT ON CANADIAN FINANCIAL ADMINISTRATION

In order fully to understand the actual operation of Canada's system of financial administration, certain partisan usages and political evils which profoundly affect its workings need to be considered.

The Spoils System and Patronage Lists. While civil service reform has made some headway in Canada and a Civil Service Commission modeled after those found in the United States has been in existence since 1908, the spoils system still flourishes. So far only officials in the "inside" service, namely, such as are employed in the government departments at Ottawa, have a permanent tenure of office. In all other cases, both original appointments and promotions are governed more or less by party considerations. That the spoils system still flourishes in Canada is evidenced by the following statements:

> At Confederation we started out perhaps with the idea that we would not have a political patronage system at all, but in two or three years the Government, under the leadership of Sir John Macdonald, abandoned these early ideals and adopted a patronage system applicable both to Government contracts and supplies of goods to the Government and to appointments to public office. That system was certainly continued by the Mackenzie administration. They went out of power in 1878. During the last years of the Mackenzie administration a number of appointments were made, some before the Government retired and some shortly after it had retired, which

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were promptly annulled when the Conservative administration took power. * * * The spoils system under the Conservatives had as its cardinal principle that where public money was to be spent it must be spent among political supporters. There existed in every department of the Conservative administration what was known as a patronage list, kept under lock and key, and upon it was the name of each Government supporter, each true Conservative, with whom the Government desired to deal in order that when public money was expended it should reach the pockets of the Government supporters to the exclusion of others. In addition to that, they had their middlemen, their commissions and their paid agents.[1]

When the Conservatives came to power in 1878 they dismissed nearly 500 employees from the Intercolonial and they replaced them the next day with their own partisans.[2]

On the return of the liberal party to power in 1897 the same practices were continued.

We have, in the twelve years we have been in office, accepted the system, which has been in existence since Confederation, of making appointments on party lines. In this we followed the example set by our predecessors.[3]

When my hon. friends opposite came into power there was not a single man on the Intercolonial Railway who, for at least a year after the change of Government, felt sure of his position. * * * Very few of the employees who were unorganized, or were not backed by a strong union, were kept in their position. Section men were dismissed by the wholesale.[4]

[1] Mr. Guthrie—Can. Hansard, 1909-10, p. 2453.
[2] Mr. Emerson—Can. Hansard, 1907-08, p. 9183.
[3] Sir Wilfrid Laurier—Can. Hansard, 1907-08, p. 9201.
[4] Mr. Lesperance—Can. Hansard, 1911-12, p. 5806.

Nor has any considerable improvement taken place since the present administration assumed office. Under its regime 13,000 changes have occurred among the 45,000 employees in the government service.[1]

We have the statement on oath of Mr. W. H. Brown, the head of the purchasing staff of the Department of Militia and Defence that the patronage list on file in his office at Ottawa, a list furnished to him by the supporters of the party in power, contains the names of no less than 8,000 of their political favorites.[2]

Outside of promotions of high officials, I have no hesitation in saying that as between two men, other things being equal, both being qualified, the Tory will get the job.[3]

Other things being equal I would expect the purchases to be made from those who are friends of the Government.[4]

On both sides we have been going on with the idea that the money we get into the public treasury is to be used for party advantage. What did the Minister of Railways boldly say the other night? He said: "If I have advertising to give or supplies to buy, I will deal with a friend of the party." * * * It means that the money of this country is for the party and the Government to do what it likes with; doing fairly well if possible by the country, but taking mighty good care always to help the party.[5]

As between the two great parties in Canada it would seem to me that honors are about easy in the sinning in connection with civil service appointments.[1]

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[1] Mr. Devlin—Can. Hansard, 1916, p. 353.

[2] Mr. Sinclair—Can. Hansard, 1916, p. 417.

[3] Mr. Hughes—Minister of Militia and Defence, Can. Hansard, 1911-12, p. 5450.

[4] Mr. Hazen—Minister of Marine and Fisheries, Can. Hansard, 1914, p. 415.

[5] Mr. Foster—Can. Hansard, 1910-11, p. 6607.

The following passage gives a good picture of the wide extent and powerful influence of the party patronage system.

> The premier and his selected councillors make up the Ministry, that is the first; after that comes the caucus and its elected components; after that comes the local candidate in his district, with his circle of party supporters; and lower down in the scale come the district committee with their control of the petty patronage which has to be dispensed within the purview of their own jurisdiction. That makes a complete chain. * * * This is a wonderfully concentrated and correlated system. There is not a section of the country from one end to the other which is not under its influence and which today is not throbbing and pulsating with the stimulus derived from the party patronage system.[2]

Appointments to Government offices and the awarding of federal contracts are largely in the hands of local patronage committees.

> My honorable friend knows that when his party was in power, and when other parties were in power, also, people in different constituencies would organize themselves into patronage committees and make representations to the member from that constituency, or to the Government with regard to appointments to office, and as to and from whom purchases should be made and so on.[3]

> From one end of Canada to the other it is nothing but politics and the patronage list. Why, down in New Brunswick, the patronage committee even ap-

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[1] Mr. Emerson—Can. Hansard, 1907-08, p. 9182.
[2] Mr. Foster—Can. Hansard, 1909-10, p. 2435.
[3] Mr. Hazen—Can. Hansard, 1914, p. 415.

> points commissioned officers up to lieutenants. If a man wants an appointment as lieutenant in the Province of New Brunswick he goes to the patronage committee.[1]
>
> The Militia Department and the Government have allowed the matter of patronage in connection with militia supplies to drift into the hands of local patronage committees. Although all persons, Liberal and Conservative alike, are doing their share in the matter of enlisting and recruiting, sending their sons to the front—both parties in equal degree, I think—and contributing to patriotic and Red Cross funds, no person but one who is on a certain side of politics in parts of the country with which I am familiar, can get anything to do at all.[2]
>
> It is not patronage committees only that we complain of, but it is patronage lists that exist whenever stores or supplies of any kind are bought. Almost every official that was examined before the Royal Commission spoke of these lists as a matter of course, that of course everything was bought with a view to politics, that no service was performed, no person was employed, no goods were purchased, as a rule, except in view of some political advantage to the party.[3]

As most Canadian officials were originally appointed on the strength of party services rendered it is natural that they should be tempted to continue their political activities after they have assumed office.

> I quite acknowledge that an employee in the civil service may so conduct himself in the course of an election as to warrant the party he opposes, if successful in that election, in dismissing him the moment Parliament meets. In the hustings or in the course of private canvass, he may personally abuse the leaders of the party to

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[1] Mr. Carvell—Can. Hansard, 1916, p. 1419.

[2] Mr. Martin—Can. Hansard, 1916, p. 3379.

[3] Mr. Lennox—Can. Hansard, 1907-08, p. 9206.

which he is opposed. He may go to meetings and interrupt in such a rude and offensive manner, bringing with him possibly a gang of roughs to back up his interruptions, as to fully justify the successful party in dispensing with his services without delay. * * * If it is right and proper for a member of the civil service to work for the Government of the day, if he belongs to that party, it is equally right and proper for him to work for the opposition if his political opinions lean to their side.[1]

The Intercolonial Railway with some few exceptions which I cheerfully recognize is a hot bed of political propagandism. The bitterest and most offensive partisans to be found in Canada are to be found in connection with that [Government] road.[2]

When a change of government takes place active participation of this sort in election campaigns leads to the removal of the offending public official on the ground of political partisanship. The part played by members of Parliament in effecting such dismissals is recounted below:

I am following the policy laid down by the House. When a member charges that an official has been an active partisan in his constituency I ask for his dismissal. But in the case of another constituency, where there is not a [Government] member to represent the constituency, if a charge is made I have an investigation and if it is proven that the official has been an active partisan, of course he is dismissed.[3]

I do not think it is edifying to see public officials, occupying places in the Civil Service, taking an active part in politics, on one side or the other. If they do so they know full well that they are, under the resolution of the House, taking their positions in their hands, and

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[1] Mr. Macdonald—Can. Hansard, 1896, 2nd session, p. 528.
[2] Mr. Davies—Can. Hansard, 1896, 2nd session, p. 1091.
[3] Mr. Reid—Can. Hansard, 1912-13, p. 8734.

> they will have no reason to find fault should they be dismissed when a change of government takes place.[1]
>
> They (Government officials) are under the impression that if they do not serve the Conservative party, (in power) they will be turned out.[2]

As will be pointed out later, the bestowal of government contracts on party favorites and the resultant exclusion of outside bidders enhances the cost of the public improvements undertaken by the Dominion authorities. The effect of the spoils or party patronage system on appointments to the civil service has been graphically pointed out by the present Prime Minister of Canada.

> The present system causes many abuses to flourish. In some cases at least subordinates in the different departments are appointed when they are not required. The head of the department would not select the man whom he is bound to receive if he were left to exercise his own judgment. Inefficient appointments are made. There are useless men in the departments in Ottawa today; every minister of the Crown knows that. * * * Not only have inefficient appointments been made, but places have been created that political supporters of one party or the other might be satisfied. The political influence of appointees is exercised. That more or less destroys discipline. * * * I have been told that there are men on the Intercolonial today who cannot and dare not keep their subordinates under them in a proper state of discipline simply because they know the effect which the political influence of these subordinates, appointed by political pull, can exercise upon them. Does that tend to good service or good discipline? Political support is bartered for promise of office, and the time of ministers and members is needlessly and absurdly taken up with patronage. * * * Members of Parliament on the other side of the House have told me, in some cases that half

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[1] Mr. Hazen—Can. Hansard, 1914, p. 1176.

[2] Mr. Marcil—Ibid.

their time, in other cases that three-fourths of their time was taken up in dealing with matters of appointment to public office.[1]

In consequence of the existing system of favoritism in appointing persons to government positions, the Canadian civil service is undoubtedly overmanned.

The public service is overmanned to a remarkable degree and on account of this overmanning, of inefficient organization, of duplication and other kinds of waste, there is a loss, conservatively estimated, of over $5,000,000 a year.[2]

Canadian public men have freely conceded that the patronage system exerts a demoralizing and corrupting influence on the political life of the Dominion. In a farewell speech delivered in Toronto on September 24, 1878, the Earl of Dufferin, when retiring from the post of Governor General of Canada, used the following weighty words concerning the importance of removing the civil service of the Dominion from the sphere of party politics:

> The chief danger against which you have to guard is that which concerns the civil service of the country. Now the civil service of the country, though not the animating spirit, is the living mechanism through which the body politic moves and breathes and has its being. Upon it depends the rapid and economical conduct of every branch of your affairs. If you take my advice you will never allow your civil service to be degraded into an instrument to subserve the end and interests of any political party.
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> If there is any laxity in the public virtue of this country today, if there is any canker of public corruption, in ninety-nine cases out of a hundred you can trace it to the

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[1] Mr. Borden—Can. Hansard, 1907-08, p. 9197.

[2] Ottawa Civilian—Quoted in Can. Hansard, 1915, p. 1032.

baneful effect of political party patronage. * * * In the whole course of my political life I cannot point to a single instance where political patronage ever helped the status of the bench, ever helped the status of the civil service, ever helped in the economy of public administration, ever helped a member of Parliament in reality: it almost always causes the dry rot and disintegration that breaks up government after government and party after party.[1]

Of good augury for the future is the fact that a beginning has been made with civil service reform by the federal authorities in Canada. Some 5,000 out of a total of 45,000 Dominion government employees are now protected by civil service rules. It only requires the passage of an order in council to include all government servants within its sheltering provisions and thus to put an end to the whole spoils system as far as appointments to office are concerned. But so far no ministry in office has had the courage to take so bold a step. Even the chance afforded by Canada's participation in the European war was not taken advantage of to bring about this much needed reform.

This Government has been given the greatest opportunity in the whole history of this country, when the hearts of our people are stirred by this grave issue, to endeavor to arrive at some system by which the public men in the country on both sides will agree that some substitute shall be found for patronage evils.[2]

Partisan Apportionment of Government Contracts. It is prescribed by law in Canada that no contracts of any size for government work shall be given out until after bids or tenders have been asked for from the general public. If, however, the amount involved is less than $5,000, bids may be dispensed with.

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[1] Sir George E. Foster—Can. Hansard, 1916, p. 949.
[2] Mr. Macdonald—Can. Hansard, 1916, p. 1314.

> The letter of the law says you must not give any work without calling for tenders for work that costs more than $5,000, but you can let it by piecemeal in contracts under $5,000.[1]
>
> We pass a law in which we lay down the principle that these expenditures shall be made by tender and contract, but as a too rigid adherence to that rule would sometimes lead to trouble, we make an exception and provide if, in the case of an expenditure up to $5,000, the minister has reason to believe that the work could be better or more quickly done by day labor, he makes his request and gives his reason to council, and if the council consents the work is done in that way.[2]

Nominally, all persons have the right to bid on the larger government contracts, tenders being called for by public advertisement. In smaller contracts and purchases, however, tenders may be and often are confined to friends of the administration. Should a firm not adhering to the Government side submit a lower bid than anyone else, the minister may either decline to award any contract on the ground that all the bids are unsatisfactory or, with the consent of the Governor in Council, he may pass over such bid on the ground that it is "inexpedient to let such work to the lowest tenderer."[3]

> The tender system in these Conservative days was a perfect farce. * * * Conservatives only could supply goods, but in the first place they must be put on a preferred list at the recommendation of a leading Conservative. When they were placed on that list they were entitled to receive tender papers.[4]
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> In many cases tenders are asked from friends of the Government. There are cases when they are asked for

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[1] Mr. Bergeron—Can. Hansard, 1906-07, p. 6104.
[2] Mr. Foster—Can. Hansard, 1908-09, 3266.
[3] Chapter 39, Sec. 16, sub. 2, R. S. C.
[4] Mr. Guthrie—Can. Hansard, 1909-10, p. 2458.

from people on both sides of politics. The purchasing agent tells me that the same policy prevails as has prevailed for many years past.[1]

We are told that contracts are let to the lowest bidder. We do not know how tenders are put in, and who opens them, or how they are worked after they are opened, but we generally find the contract in the hands of a friend, and a favorite of the Government gets the contract.[2]

It has been pointed out previously that the local patronage committees concern themselves with the giving out of government contracts. Members of Parliament are also consulted in this connection.

We know that the Post Office department will not award a contract until they have consulted either the Conservative member for the county or the defeated candidate in the last election.[3]

On a change of administration, contracts held by adherents of the former Government are often cancelled.

A return was laid on the table of the House in the first year after the Conservatives were in office showing that over 500 mail contracts were cancelled during that first year. The return shows that a great many of the contracts which had not expired when the Government took office were cancelled when they came in and new contracts given to their friends.[4]

On account of all these practices, followers of the Opposition have often felt that it was useless for them to bid on government contracts.

It has become the opinion of traders that none but certain friends can get the patronage, whatever political party is in power, Liberal or Conservatives. The result is very little competition.[1]

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[1] Mr. Hazen—Minister of Marine and Fisheries, Can. Hansard, 1914, p. 411.

[2] Mr. Sproule—Can. Hansard, 1906-07, p. 5726.

[3] Mr. Kyte—Can. Hansard, 1916, p. 2718.

[4] Mr. Sinclair—Can. Hansard, 1916, p. 2104.

This absence of full competition prevents the heads of departments from purchasing to advantage and often leads to excessive prices being paid for government supplies.

Public Works Expenditures to Further Party Interests. As shown above, both official positions and government contracts are often bestowed in Canada with the primary object of advancing the interests of the party in power. The same conditions obtain in respect to expenditures for public improvements. In planning these, partisan considerations have come to hold the first place rather than the general needs of the country's development. Government and opposition parliamentary districts are treated on quite uneven terms as far as public works are concerned, and little attempt is made to dole out even-handed justice to districts of a different political complexion.

> Now that the honorable gentlemen on the other side have supplied all their ridings with public buildings, they must not be surprised if we, on coming into power, pay some attention to ours. That is the position I take without hesitation. * * * Of course we must not squander public money on useless buildings—we all agree to that. I do not object to being criticized; I do not object to the brake of the opposition being put upon any minister—far from it. But there is reason in all things. The Liberal party has been long in opposition and ridings that have been so long neglected by the government have rights that I, for one, will endeavor not to forget.[2]
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> Last night I heard the member for Guysborough (Mr.

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[1] Mr. Guthrie—Can. Hansard, 1909-10, p. 2459.

[2] Hon. Mr. Tarte, Minister of Public Works—Can. Hansard, 1902, p. 659.

Sinclair) say that during fourteen years when the Conservatives were in office not a single dollar had been expended in the way of constructing a public building in that constituency. Well, this is the fifteenth session I have been in this Parliament, and I have not yet had in all those years a dollar expended within the confines of my (opposition) constituency.[1]

Every new public work in this list is for a riding represented by a Liberal in this House.[2]

The same favoritism towards districts returning Government candidates is still in vogue today.

Take the whole list, and you will find that with the exception of two places in the Province of Ontario, these drill halls for the culture of the youth and beauty—as the minister put it—of the Province, had been established where Tory candidates were returned in 1911.[3]

It is known to every person in the Province of Nova Scotia that, during the last fifteen years, public works have always been dangled before the constituencies just before the eve of an election.[4]

As an illustration of how the promise of government patronage is made use of to influence voters, the following passages may be cited:

Conservatives in this town know that Robert Beith can get Government favors for this town if any man can. We want a new post office and customs house, don't we? Other ridings have received new public buildings. We want our share of patronage, but can only get it by sending a Government supporter to ask for it. Return Mr. Beith to Parliament and Bowmanville will get these necessary public buildings.[5]

It needs the

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If a man should pay fifty cents in corrupting an elector, he is unseated and disqualified, but the Government

Let's give Hamilton a

new street car.

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[1] Mr. Roche—Can. Hansard, 1910-11, p. 3047.
[2] Mr. Bennett—Can. Hansard, 1903, p. 13123.
[3] Mr. Pardee—Can. Hansard, 1914, p. 3430.
[4] Mr. Davidson—Can. Hansard, 1911-12, p. 2810.
[5] Canadian Statesman—Jan. 8, 1902.

How about a new Church for Toronto

Tommy Church is good enough.

can deliberately buy up an electorate by means of public buildings and there is no check to prevent that.[1]

Public expenditures should not be a consideration at elections. I know it has been the practice again and again to say: If you support the Government you will get a post office or such and such a public edifice. Well, we object to this. Whenever an election takes place the country has to judge upon the policy of the administration; and if you allow the consideration to go to the electors, that they are to be favored with public edifices provided they will return a supporter of the Government, then the electorate must be biased. They are bribed to a certain extent, to give an unfair verdict.[2]

The refusal of the administration to make imperatively demanded expenditures on public works in opposition districts oftentimes retards the progress of the country and enhances governmental expenditures in the long run.

When the City of Toronto asked the Minister of Public Works to consider the case they were in, that a little expenditure would make a harbor at that great city, where railroads are centering and commerce is increasing, a harbor that would be a credit and a benefit not to Toronto alone, but to the whole country—the Government hesitates about spending even a small sum there. Why? The honorable Minister himself gives the answer in the question: 'What has Toronto done for me?' Unfortunately for the harbor * * * the city does not return to this House one representative of the same political complexion as the honorable gentlemen on the treasury benches.[3]

The late Mackenzie (Liberal) Government in 1877 constructed a breakwater in the district of L'Ardoise at a cost of $30,000. In the course of time repairs were needed upon that breakwater, but the county was represented by a Liberal and the Conservative Government absolutely refused to spend one dollar for repairing the breakwater, much less to expend money upon new public works. The consequence was that in the course of years continual storms so destroyed the breakwater that, instead of its being a protection to the fishermen, it became a menace to them. It was not until the breakwater had been absolutely destroyed that an appropriation was finally made to renew it, and it cost the late Liberal Government twice as much to rebuild that breakwater as it would have cost if the late Conservative Government had spent a reasonable amount each year in maintaining it.[1]

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[1] Mr. Lister—Can. Hansard, 1892, p. 2757.
[2] Mr. Laurier—Can. Hansard, 1890, p. 1870.
[3] Mr. Brock—Can. Hansard, 1902, p. 1561.

It results from these conditions that while the Canadian federal government since confederation has expended large sums on public works of various kinds, much of this outlay has gone for work not really needed. A typical instance is described in the next two citations:

The Government expends $16,000 to erect a post office at Laprairie. Now, why is this done? It is done for the simple reason that Laprairie was in the hands of the Liberal party during the last Parliament and the Government wanted to secure the return of a man from that county to support them in this House, and so they offered this bribe to the electors of Laprairie.[2]

The official return shows that the gross receipts from mail matter at Laprairie hardly exceeded $1.00 a day, the gross receipts for the year being $433.16, about $1.25 for every day in the year. About thirty or forty letters is the gross amount of correspondence per day which passes through this office.[3]

The construction of government docks and wharves has furnished another field for unproductive expenditure.

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[1] Mr. Kyte—Can. Hansard, 1911-12, p. 2811.

[2] Mr. Sommerville—Can. Hansard, 1892, p. 2804.

[3] Mr. Mulock—Ibid. p. 2810.

Here is a list of docks in the Province of Quebec, built at the expense of hundreds of thousands to the people of Canada, showing receipts from those docks for the last year: Carleton, \$28.07; Cedars, \$17.10; Coteau du Lac, \$27.84; Greece's Point, \$10.24; Isle aux Grues, \$ .12; Lacolle, \$9.76; Perce, \$24.71; St. Irénée, \$55.69; St. Thomas de Montmagny, \$2.62.[1]

I myself have seen a wharf which cost ten or twelve thousand dollars and had never been used. But money spent in that way is badly spent. We know how it was done, however. The member for the county tells the Minister that if he can get a wharf or a bridge constructed, he will carry the parish or the township.[2]

Local Improvements at Federal Expense. At first expenditures on public improvements in the Dominion were confined to such as were of a distinctly federal character.

In Mackenzie's time and in our time, there was a pretty well defined line between federal and provincial expenditure. The rule was that federal expenditures should be allowed to care for matters within their own scope. * * * The rule was held to that wharves and docks and breakwaters should be built on highways of travel and on the seaboard.[3]

In the course of time, however, the practice arose for the central government to look after improvements of even the most inconsequential nature.

We first commenced with the principle that Dominion public works were to be confined to the sea-board and large harbors. We never extended it to the building of little wharfs all along the water courses of this Dominion and then the keeping of them up. * * *

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[1] Mr. Bennett—Can. Hansard, 1903, p. 1517.
[2] Mr. Bergeron—Can. Hansard, 1900, p. 10100.
[3] Mr. Foster—Can. Hansard, 1907-08, p. 5194.

Heretofore, wharfs on all these inland waters have been built by the people themselves, by the municipalities, by the aid of provincial money in some cases.[1]

At first what the Dominion proposed to do was to look after the great public works of the country, not the small ones. In the course of negotiations with the Government of Nova Scotia, the Dominion Government took over the wharfs and piers which, after a certain examination, were regarded as being important ones, and these the Dominion Government became bound to maintain.[2]

We have been for many years assisting in the construction of wharfs, piers and breakwaters on our coast line. I think that is a reasonable expenditure. We cannot expect to satisfy the people of these smaller places by the statement that it is only in the great cities that money is to be spent. The Government must adapt its policy to the public requirements. In my opinion, there is no money spent more usefully for the people than the moderate sums spent on these piers and breakwaters.[3]

Whatever is navigable water, whether tidal or inland, is as fit a subject for the erection of wharves as are tide waters. If it is right that the Dominion Government should be taxed to build a wharf in the honorable gentleman's constituency, in tidal waters, it is equally legitimate to construct a wharf on inland waters which are navigable.[4]

It is a very dangerous policy to begin to build wharves along the lakes in Ontario. I think it will be a great pity if the system that has been customary so long in the eastern Provinces is to be imported into the inland waters of Ontario.[5]

In former times it was supposed that the Provincial

[1] Mr. Foster—Can. Hansard, 1900, p. 10098.
[2] Mr. Foster—Can. Hansard, 1905, p. 9564.
[3] Mr. Fielding—Can. Hansard, 1905, p. 9563.
[4] Mr. Mulock, Postmaster General—Can. Hansard, 1900, p. 10100.
[5] Mr. Osler—Can. Hansard, 1905, p. 9595.

> Government had something to do with these things, but the Provincial Governments are being relieved from them all. The Provincial Government does not now, it seems to me, in some of the Provinces, get a chance, to put a wharf on a little river. The smallest rivers are invaded and public money is spent for small wharfs. Anything in the nature of a landing place along the river for altogether local traffic is encompassed as well. Does not the Government see that by proceeding in that way with an entire lack of policy it becomes merely a matter of political patronage?[1]

> If we are going to adopt the principle laid down that on every river, canal, and water course, wherever people want to get off and on, we are going to build a wharf, there will be no end of such expenditure.[2]

Through this encroachment on the sphere of the local governments, the federal budget often contains appropriations for public improvements whose total cost falls short of a thousand dollars each. This employment of government funds for merely local or private interests has been repeatedly criticized.

> I can see some reason for the expenditure of public money because the enterprise is too great for the local community to spend. But, to spend $700 or $800 upon wharves here, there and elsewhere, all along the sea coast, does not seem to me to be very good policy.[3]

> When a work is of such a trifling character as only to amount to $1,000, it cannot be within the province of this Parliament to expend the money. * * * A trifling work like this is a matter for the municipality, or at most, for the Province, if it is a public work at all. Where is the line to be drawn?[4]

> It appears to me that the practice of expending the money of the Dominion of Canada upon small under-

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[1] Mr. Foster—Can. Hansard, 1905, p. 9555.
[2] Mr. Foster—Can. Hansard, 1900, p. 10099.
[3] Mr. Borden—Can. Hansard, 1909-10, p. 4230.
[4] Mr. Lennox—Can. Hansard, 1903, p. 1156.

takings which are in their nature local is not a fair expenditure of the money of the Dominion. It may be a perfectly legitimate expenditure by a Province or it may be a perfectly legitimate expenditure by a local municipality. But, unless it serves the interest of Canada as a whole, it is not an honest or judicious expenditure of the money of this country. We should not, as a Federal Parliament, vote the moneys of the people of this country, for the promotion of what is merely a local concern.[1]

Fancy the Government of the United States, who are quite as democratic in their system as we are, undertaking to build $200 or $300 breakwaters; up to $3,000, $4,000 and $5,000 wharves and piers on rivers which have little or no navigation at all. What do you suppose would be the reception which would be given to a proposal like that in the United States? The (U. S.) general government devotes its expenditures to large works where the general business of the country is involved, and local matters of small account are undertaken by private persons, by corporations and municipalities, or by the local governments.[2]

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Despite the large aggregate expenditure made on them, the Dominion wharves yield hardly any revenue.

Considering the enormous expenditures on these wharves, the sum of $10,000 or $12,000 seems to be a very small amount to be received from them in the shape of revenue.[3]

Indeed, in the case of the smaller wharves, no attempt even is made to collect wharfage dues.

In the case of a large wharf and large expenditure, the question of dues would be material, but in the case of small wharves where it would cost more to collect dues than they would amount to the department does not take into consideration the question of revenue.[4]

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[1] Mr. Lennox—Can. Hansard, 1903, p. 1068.
[2] Mr. Foster—Can. Hansard, 1905, p. 9554.
[3] Mr. Borden—Can. Hansard, 1902, p. 4673.

Expenditures for Public Buildings to Further Party Interests. In the last decade, a marked increase has taken place in the expenditures of the Dominion Public Works Department. Prior to 1905, these never averaged more than four million dollars a year. In the fiscal year 1914-15, the disbursements of this so-styled "spendthrift" department reached the high total of $29,282,316. Of the total amount appropriated for the purposes of this department, during the year named, no less than $14,891,300 was allowed for the erection of new public buildings. No well defined system is followed in determining these appropriations.

> There is no plan upon which these expenditures are made. There is no setting down by a competent authority, or competent board, and taking into account the amount of money it would be wise to spend, taking into account the need of the services for which alone the money should be spent, taking into account the localities which are to be served and in the line of precedent. There is no such thing as that at all. No country in the world proceeds to its expenditure upon public works on the haphazard and secret plan on which this Dominion of Canada proceeds. It is a matter between the candidate, or the person pressing for the expenditure, and the minister who has charge of the expenditure. The expenditure is warranted by the Government before the House or anyone else outside of it has any knowledge of the thing at all.[2]

The Canadian method of determining what expenditures shall be made on public buildings differs from the procedure followed in the Congress of the United States.

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[1] Mr. Hyman—Can. Hansard, 1905, p. 9599.

[2] Mr. Foster—Can. Hansard, 1909-10, p. 1492.

In the United States, where we think they have been pretty extravagant, no Congressman can get an appropriation for public works by simply going to a minister and buttonholing him. He has to submit his resolution that it is wise to have a public building built in a certain place; he has to substantiate that before a responsible committee and that committee has the over-sight of the whole amount that is to be expended during any one year. Congressman A or Congressman B does not get $20,000 for a post office by going to the minister and persuading him to put it in the estimates; he has to go before the committee which has the examination into all the appropriations for all public buildings, and which considers the reasons for the expenditure and then decides what amount of money will be expended at any particular place. Then and not until then does it go into the estimates.[1]

In Canada, members of the Dominion Parliament are ✓ primarily responsible for most of the public buildings erected.

Our policy regarding public buildings is one that rests very often upon the vanity or the individual ambition of the sitting member to do as much as some other man has done. * * * I have looked over the list of public buildings in the Province of Quebec, and I find that there are 12, 13 or 14 public buildings as regards which I doubt if there has ever been any urgent demand upon the Government for their construction, otherwise than by the desire exhibited by the sitting member to have a public building. I think that is about the genesis of the public building. I have seen many of these buildings in Quebec and I suppose they are the same all over Canada and it bears the date of its erection and the name of the Minister prominently displayed; sometimes it bears the name of the sitting member, and the expectation of the sitting member is that if he get a public building he will consolidate himself in the constituency.[1]

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[1] Mr. Foster—Can. Hansard, 1909-10, 1492.

As a result of the importunities of members, uncalled for and unnecessarily expensive public buildings are frequently erected.

The first thing a member elected to support the Government thinks of is getting a public building or a wharf in his county, no matter whether that work is necessary or not, and he will put it in a place where he got a majority or where he expects to get one.[2]

That is the misery of it. It is not what is adequate to the needs of the town, but it is that a member should have just as much as any other member. That is the sum and substance of the whole thing. It gratifies the political pride of a member to be able to say to his friends and supporters: "I got you as good a thing"—no, not as good a thing, because that is the last idea which enters into his mind, but "as costly a thing as Annapolis got." [3]

In case the erection of a public building is desired, pressure is brought to bear on the Department of Public Works, rather than the department for whose use the building is intended.

Not once in a hundred times do the people, when they desire a public building erected for a post office, apply to the Postmaster General; they make their application to the Department of Public Works.[4]

This system of erecting buildings without consulting the department directly involved has been severely criticised.

It seems most extraordinary that the Minister of Public Works should go on spending money erecting post

[1] Mr. Monk—Can. Hansard, 1905, pp. 1101-1103.
[2] Ibid.—Can. Hansard, 1909-10, p. 3867.
[3] Mr. Foster—Can. Hansard, 1899, p. 8082.
[4] Mr. Pugsley—Can. Hansard, 1909-10, p. 958.

offices and customs houses in different constituencies without any report from the Post Office or Customs Department that such buildings are required. I should think that a new practice ought to be adopted and that in every case there should be a requisition from the department, for whose use the building is provided and such requisition should set forth the necessity of it.[1]

It has been brought to the attention of Parliament that post offices are built in this country without the knowledge of the Postmaster General, and without consideration of the postal needs of the districts. The system now is that the Minister of Public Works receives petitions from his followers and if he deems it wise in the interests of the Liberal party in the district, he erects a post office without any regard to the proportion between the income received from the place and the cost of the building. I believe that in the erection of post office buildings the Post Office Department should have a voice.[2]

The Minister of Public Works buttonholed by somebody puts in an appropriation of $20,000 or $25,000 for what he calls a post office in a place where today there is a postal revenue of $700 annually, and where the present postal accommodation is rented for exactly $38 a year. And when the Minister of Public Works is questioned he admits that no post office authority has told him that they need a post office in that place to carry on their business. Is not that a perfectly outrageous way of proceeding? Is there any other sane legislative body in the world that would do that kind of thing? Who should be the judge of the necessity for a post office? The post office authorities themselves and nobody else. The Post Office authority is absent in Europe, his officers are present here, but neither he there nor one of his officers here has ever signed a scrap of paper asking for the erection of a post office in that town. There was another proposition brought into the House by the Minister of Public Works to build a new examining warehouse in the City of Quebec. It was to cost about $500,000. The Minister of Customs came into the House and it was brought out in the course of questioning that the Minister of Customs had never asked for this building, that he absolutely knew nothing about it. * * * These are not isolated cases, they are pattern cases. Over and over again this session and last we have cornered the Minister of Public Works in his appropriations for buildings, and we have had him admit time and time again that the Minister of Customs never asked for this and the Postmaster General never asked for that, and the departmental administrator knew nothing about it.[1]

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[1] Mr. Crockett—Can. Hansard, 1909-10, p. 968.

[2] Mr. Armstrong—Can. Hansard, 1909-10, p. 6683.

Formerly public works were not undertaken by the Dominion government until full plans of the size and cost of the improvement had been prepared.

I have been in this House a good many years and have seen the Minister of Public Works in years gone by come here with plans and specifications and estimates when he wished to get money for a new building. That system is being departed from and we are asked to vote large sums of money on the mere statement of the Minister that he will decide afterwards what to do with it.[2]

The better course to pursue in matters of this kind is that which used to be followed some years ago by the department. The Minister should give the House the plans of the proposed building and more accurate estimate of the cost than my honorable friend, the Minister of Public Works has been able to give.[3]

In recent years, however, the practice has arisen of requesting parliamentary appropriations for public building even before plans for the same have been prepared.

In four or five cases this morning votes of $5,000 or

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[1] Mr. Foster, Can. Hansard, 1909-10, p. 1493.
[2] Mr. Cochrane—Can. Hansard, 1902, p. 722.
[3] Mr. Borden—Can. Hansard, 1903, p. 3045.

$10,000 have been asked for public buildings, and when we have asked if a site had been procured or if plans had been prepared, we have been answered in the negative. The department is in blissful ignorance as to what the cost will be, and we have to go it blind.[1]

No site has been chosen, no plans prepared, and no estimates made as to the cost, except that it will not exceed $15,000 or $20,000, that is all the information we can get.[2]

On account of this lack of precise information, the cost of erecting public buildings is often far greater than originally anticipated.

I have in my mind cases in which some innocent looking estimates have come down for a few thousand dollars and the expenditure terminated in about ten times as much as it was expected the building was going to cost.[3]

We have in this case a vote for $10,000. It goes to the public that this is all that will be voted for that purpose, and the electors never dreamed that in the end the cost may be perhaps $150,000.[4]

The difficulty is that when coming before Parliament and asking for a vote the statement is made by the Minister that a building is to cost only so much money, and then when complaint was made that it is costing more, the answer is: "We have spent so much money and we must finish it." We had a glaring example of this in the Grande Vallee expenditure. In that case the first amount asked for was $5,000. It was supposed by the committee that that was all that would be required, but the expenditure since has amounted to over $60,000.[5]

Whenever financial conditions have been favorable and have permitted an over-expenditure, a more or less wide divergence is to be found in the Dominion between the actual expenditures of the various governments and their anticipated outlays as submitted to their respective Parliaments. Whenever so inclined, the Administration is in a position to exceed an estimate approved by the legislative branch.

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[1] Mr. Clarke—Can. Hansard, 1903, p. 13405.
[2] Mr. Borden—Ibid., p. 13028.
[3] Mr. Cochrane—Can. Hansard, 1903, p. 13044.
[4] Mr. Tisdale—Ibid., p. 13050.
[5] Mr. Fowler—Can. Hansard, 1903, p. 5830.

> In this case, the Minister presiding over that department told the Opposition that this work would cost $35,000. The Opposition allowed it to pass; $35,000 was put in the estimates. Then, the following year, the Minister comes down and says: "We have exceeded the estimates; instead of spending $35,000, we have spent $84,000, or an increase of $49,000 on that one item."[1]
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> It was not the custom to allow a contractor to commence dredging where there was only a vote of $50,000, and go on and earn $150,000 without the money having been voted by Parliament. * * * I can understand a small amount of over-expenditure, but here you have $150,000, you have expended three dollars for the one that Parliament has voted.[2]

As regards public buildings, the Dominion government has frequently undertaken to erect more expensive structures than were authorized by Parliament.

> Last year the Honorable Minister obtained a sum to erect a public building, which was to cost $15,000 and this year he asks us to vote $50,000 for that same building. If he had not spent any of last year's vote, I could understand his coming back and telling us that the plans were changed and asking for a larger vote, but when he decided to change the plans and erect a much more expensive building, he should have waited for the consent of this House to the change before spending the money.[3]

[1] Mr. Bain—Can. Hansard, 1907-08, p. 5688.

[2] Mr. Sproule—Can. Hansard, 1907-08, p. 6960.

[3] Mr. Clancy—Can. Hansard, 1904, p. 533.

If we are to keep the Minister (of Public Works) and his department within bounds in the expenditure of public money, we must insist that when the Minister determines on the construction of a public building in any town or village, he must first determine how much money he can afford to spend upon it. I can see no difficulty in the Minister arriving at that conclusion. When he comes down with his first estimate, he should say exactly how much he proposes to expend, and we should have an understanding that the estimate would not be exceeded by one dollar. * * * As a representative of the people of this country, I contend that I have a right to say what amount should be expended on any public building, and no man who does not represent the people should come in and usurp the function that belongs to me in that regard; yet that is what has been done for years. It has not been the members of this House who have fixed the amount of the public expenditures; it has practically been the executive officers of the Public Works Department. * * * We cannot in this country tolerate an executive officer who will day after day usurp the functions of Parliament by determining what the expenditure shall or shall not be on any public building.[1]

The futility of voting estimates, which the Government can disregard at its pleasure, has been repeatedly commented upon.

If the Minister conceals from the House the expenditures which he proposes to make, or goes on and makes expenditures to the tune of hundreds of thousands of dollars without the money having been voted and without there having been any urgency, it is making a farce of appropriations. Thus the Minister seems to be becoming an appropriator, to absolve the House of its functions entirely.[1]

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[1] Mr. Henderson—Can. Hansard, 1904, p. 636.

It was farcical to vote upon estimates when Parliament had no guarantee that other and unauthorized expenditures would not be made. Experience had shown that year after year, although certain estimates were voted, the expenditures exceeded the estimates, and Parliament was never subsequently asked to ratify the over-expenditures at the ensuing session, and no guarantee was laid before Parliament that the over-expenditure was necessary. The actual result was that thousands of dollars had been expended which had never been voted or approved by Parliament.[2]

The sums spent on public buildings in the Dominion instead of effecting a saving very often increase the government's fixed charges for maintenance. A striking example of this is afforded by the next citation.

Here is a list of about twenty places at each of which a public building has been erected, and the aggregate cost of all these buildings is in the neighborhood of $600,000 to $650,000. What is the result? All the wants of the public service were formerly met in these places out of an annual expenditure of $1,578, whereas now we have to pay some $42,000 a year. Take the expenses of these public buildings. Each one must have a caretaker at about $400 per annum; fuel $150; light $200; and interest $1,200. It will cost over $2,000 yearly to maintain each of these buildings.[3]

While large amounts are unprofitably expended on public buildings every year, the Government has curtailed its outlays in other directions and failed to grant the public certain desired facilities.

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[1] Mr. Foster—Can. Hansard, 1899, p. 5422.

[2] Mr. Cahan—Nova Scotia, House of Assembly Debates, 1892, p. 237.

[3] Mr. Bennett—Can. Hansard, 1907-08, p. 7184.

While hundreds and thousands of people living back in our country places are asking for weekly, tri-weekly and daily mail routes, in order that they may have the visit of the mail carrier and communication with others, allowing them to do business, what is taking place under the management of this Government? The revenues derived from the postal system of the country are being spent in unnecessary buildings, costing $25,000 and more so that there is not sufficient revenue to aid in the development of the mail carrying routes in order that the people in the distant parts of the country may have the visit of the postal carrier more frequently than they do today.[1]

In one of the oldest settlements in the Province of Ontario about ten miles from the City of Kingston, the residents have a mail service three times a week and for years they have been asking for a daily mail service the extra cost of which would amount to only $50 a year, and when I presented that petition to the Postmaster General I was told the Government did not have the money to spend for that.[2]

In 1890 the Dominion House of Commons unanimously passed the following resolution which had been introduced by a member of the Opposition but was accepted by Sir John Macdonald, the leader of the Government.

Resolved, that in the expenditure of public money, the public interest, and not party favoritism, should control, and in the choice of places for the erection of public buildings for post offices, custom houses and inland revenue purposes, regard should be had to the amount of revenue collected, and to the public business done.[1]

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[1] Mr. Foster—Can. Hansard, 1909-10, p. 685.
[2] Mr. Edwards—Can. Hansard, 1904, p. 698.

As a matter of fact the principle above set forth was never put into effect.

Although the House led by the late Premier decided that no public buildings should be erected except where the public interests demanded yet the very first session afterwards, public buildings were erected where political interests were to be conserved.[2]

More recently the rule has come into vogue that every county is entitled to at least one public building irrespective of the size of the localities found within its confines.

By a resolution that was adopted by this House in 1891, it was declared that, in the selection of a place where a public building should be erected, regard should be had to the revenue derived from it, and that preference should be given to the larger places. Now, there are counties in the Province of Ontario, which have no large town. * * * Surely a county which has four or five smaller incorporated villages or towns is just as much entitled to one or more public buildings as a county which has a large town.[3]

The general policy of the Government has not been changed in this respect from the past. It seems to have been the will of the majority of the House that at least in the chief town of a county there should be a public building erected.[4]

Minister of Public Works:—It (post office building) will cost $10,000. Mr. Clarke—Ten thousand dollars. In a place with postal receipts of only six hundred dollars. Minister of Public Works—Its being the only (public) building in the county is the

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[1] Mr. Mills' resolution—Can. Hansard, 1890, p. 1865.
[2] Mr. Landerkin—Can. Hansard, 1892, p. 2752.
[3] Mr. Henderson—Can. Hansard, 1900, p. 7918.
[4] Can. Hansard, 1903, p. 13071.

> only defense I can put in, aside from the population and the receipts.[1]

Partisan Usages and Practices in the Provinces. Although not appearing in so acute a form, the political evils already described as affecting the workings of the Dominion budget system also occur in connection with the various provincial governments. None of the Provinces have introduced a civil service law as yet and appointments to official positions are still governed by political considerations. Provincial patronage lists are also not unknown.

> We had in this Province the vicious patronage list, which destroyed good wholesome commercial competition. * * * It led to a breach of trust on the part of those responsible for the administration of public affairs. If the Board of Directors of a commercial institution such as a bank were to make a preferred list, take a certain number of their shareholders, treat them differently from others, give privileges to those who supported them in their election to office, it would undoubtedly be regarded as a breach of trust.[2]

When confederation was first formed, certain local public improvements were undertaken by the Provinces. In the course of time, however, the Dominion government has taken over these former duties of the Provinces and now carries out all public improvements of a certain category no matter how small the expenditure involved may be.

> There was a time when the public works line was well defined. There was a time when the Fathers of Confederation and those who worked after them

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[1] Hon. Mr. Sutherland, Minister of Public Works—Can. Hansard, 1903, p. 428.

[2] Mr. Wilcox—Nova Scotia, House of Assembly Debates, 1908, p. 588.

knew what the line was, where public works were performed by the Dominion, and where they were held over for the Provinces. That line is absolutely obliterated, and today this Dominion Government does its public work service on the smallest rivers in any Provinces of the Dominion and even goes so far as to build bridges and the likes of that.[1]

As a result of this encroachment by the Dominion government on the original field of activity of the Provinces, the only public improvements now undertaken by the local governments are the construction and betterment of roads and bridges and the erection of public buildings for provincial purposes. Hence the opportunities for wasteful and unproductive expenditures are somewhat circumscribed. Nevertheless, even if on a smaller scale, the same unwarranted and improvident expenditure of public funds to further party interests is to be found as in the case of the Dominion. Road and bridge moneys are frequently disbursed in such a way as to aid the Government side at election time. For example, the minority report of the Manitoba Public Accounts Committee for 1911 called attention to the manner in which public money was spent on road improvements on the eve of the last general election. The intention was manifest to influence the elections in the interest of the Government candidates. Between June 1st and July 11th, 1910, when the general election took place, $150,000 of the provincial funds were paid out for work done on the public roads. After that date, however, only a very small further expenditure was found necessary to keep the roads in order. Nor is this by any means an isolated instance. In another case, when a general election occurred in Nova Scotia during the early winter, road work was started on a large scale in November although the ground was covered with from six to eight inches of snow at a time.

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[1] Mr. Foster—Can. Hansard, 1906-07, p. 5319.

In the Provinces public works patronage is often used as a means of providing a political campaign fund for the party in power. Thus in Manitoba, the officials of the administration preceding the present one in office entered into supplementary contracts for the construction of the new Provincial Parliament building previous to a general election, which new contracts greatly enhanced the profits of the contractors. In return the contractors made large contributions to the campaign fund of the Government party. In the case of the construction of the Battleford Asylum, in Saskatschewan, the contractors were allowed to substitute cheaper materials than specified in nearly two hundred items practically without any deductions being made from the contract price. On these minor substitutions the contractors were enabled to make from $50 to $5,000 excess profits. Most of the arrangements for these substitutions were completed just before the provincial election of 1912 and the supposition is strong that campaign fund contributions were exacted in return. That such practices at the expense of the taxpayers should be connived at and that a provincial premier should openly defend bribery on the ground that it is necessary "to grease the palm of an Indian" at times, indicates a low standard of political morality in the Dominion. In the words of a prominent member of Parliament:

> I realize it to be too true that in Canada the public sense respecting Government expenditures is not so

delicately and correctly adjusted as it should be, and it frequently appears but like the voice of one crying in the wilderness to protest.[1]

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[1] Mr. A, K. Maclean—Can. Hansard, 196, p. 352.

CHAPTER XIII

DIVERGENCIES OF THE CANADIAN FROM THE BRITISH BUDGETARY SYSTEM AND THEIR RESULTS

As explained at some length in the opening chapters, the Canadian colonies when first granted parliamentary institutions followed the practice which has prevailed in the American states and which existed in Great Britain previous to 1706. That practice was to allow each individual legislator to pull at the public purse strings and introduce measures calling for the expenditures of government funds. Under this method, no systematic planning of government expenditure was possible and the public moneys were often unwisely and wastefully spent. To end this unsatisfactory state of affairs and to do away with the legislative scramble for appropriations so detrimental to the public interest, the English authorities decided to apply in Canada the same corrective which had proved so efficacious in the motherland. This consisted, as we have seen, in the introduction of responsible government. The right to introduce bills calling for the expenditure of public money was taken away from the individual members of the House of Commons and that body was forbidden to pass any vote appropriating any part of the public revenue unless the same had been first recommended by the responsible ministers of the Government.

However, the hopes entertained by the British officials that misapplication of public funds would cease and good government be attained in Canada under their plan of responsible government have, as we have seen, been only partially realized. The system that produced such favorable results in Great Britain has failed to yield similar fruits when transplanted to Canadian soil. After an experience lasting for practically three-quarters of a century with responsible ministerial government, the operation of the Canadian financial system is still far from satisfactory. [redacted]

The reasons why these results have not been as satisfactory in Canada as in Great Britain are not difficult to determine. They consist partly in the failure of Canada to adopt certain of the essential features of the British political system; partly to the fact that in England certain standards and fixed customs have grown up which have not developed in the Dominion; and partly to the circumstance that Canada, as an undeveloped but rapidly developing country industrially and commercially, has found it necessary to adopt a comprehensive system of public works constructed and controlled or subsidized by the Dominion or provincial governments.[1]

Although in our consideration of the Canadian budgetary system it has been necessary repeatedly to refer to these features, it is desirable, in this concluding chapter, again to make brief mention of them in order that there may be presented in one place those characteristics of the Canadian system which have prevented that country from securing under a budgetary system modelled closely upon the British system the efficient administration of financial affairs that obtains in Great Britain. Such a statement is of prime importance to the United States in the efforts now being made to work out a proper budgetary system.

[1] Especially have the enormous aids which have been granted to the railways exerted an influence upon Canadian politics and finance which has not been felt in Great Britain.

Executive Control over Financial Legislation. The two features of the British system which are especially responsible for its successful operation are: (1) the dominating control exercised by the Executive over the Parliament in all matters of financial legislation; and (2) the guiding and controlling authority exercised by the Treasury, within the Administration, in matters of finance,—this guidance and control being exercised not only in the framing of the Estimates but in a continuous day-to-day supervision of expenditures. It has been seen that the British system of responsible parliamentary government has been adopted in Canada, and, as regards matters financial, the British doctrine rigidly applied that no supplies to the Crown may be voted except upon recommendation of the Executive. In Chapter VII it was shown how strictly this principle is enforced. In England this rule has resulted in the practically complete elimination from the Estimates, and therefore from the appropriation acts of what in America have come to be termed "pork-barrel" items. In Canada, however, this beneficial result has not followed. This, therefore, is a matter which deserves explanation.

As regards Great Britain it is first of all to be pointed out that there is in fact much less opportunity than there is in Canada for the granting of legislative favors to individual members of the legislature. This is due to the two facts; that appointments to office are strictly regulated by civil service laws; and that the Parliament is only seldom called upon to provide for public buildings or other public works which involve the expenditure of public money in the several parliamentary constituencies. And, where measures are introduced which are primarily for the benefit of particular localities they are designated as "private bills" and subjected to a special procedure which is more efficient than is the Canadian procedure in guaranteeing the merit and public purpose of the proposed undertakings.

In addition to these protective influences is the fact that the member of the British House of Commons occupies a peculiar position with regard to the district which he represents. He is not necessarily a resident of his district; in many cases he does not owe his nomination to those who are to vote for him, nor does he need to look to them for renomination.

The peculiar status which the member of the British House of Commons thus occupies is described and explained by Lowell in his "Government of England" and this is not the place to dwell more fully upon it. It is sufficient to say that because of this status there has been made possible the development of an effective tradition or understanding that a member of the Commons is elected, not in order that he may represent the selfish interests of the particular locality which elects him but to support the national party to which he belongs, and, through its control, to advance the general interests of the Kingdom and Empire. So great is the detachment of the private member from the particularistic interests of his own constituency that it is considered a gross impropriety for him to attempt to bring personal influence or other pressure to bear upon the Government in order to secure favorable action upon a measure in which the district which he represents is primarily and financially interested. It is of course proper for him to call attention to the manner in which his constituents would be affected, favorably or unfavorably, by a proposed public law, but not that he should seek to obtain for them special favors.

When, now, we turn to conditions that exist in Canada, we find a far different state of affairs. In the preceding chapter the extent to which expenditures or public moneys are influenced by political, partisan or local considerations has been pointed out. It is recognized that members of Canadian Parliament may with propriety importune the members of the Cabinet to have inserted in the Estimates items of expenditure which they especially desire and there is a tolerance of the practice upon the part of the ministers to yield to these solicitations. Here it is evident that there is no question of law or legislative standing order, but merely one of political morality. Because of the more abundant opportunity, the pressure upon Cabinet members is greater than it is in England, but the chief determining element is one of what has been termed "treasury conscience." This conscience is one which for its development to its present sensitiveness in England required several centuries, and it is not a matter of surprise that it should not operate so effectively in a new country like Canada. Its growth must take place, however, before this country can hope to have a system of financial administration which in its results will compare favorably with that of the mother country.

Before leaving this subject, one further influencing fact should be pointed out. This is that the general character of Cabinet Government in Great Britain is one which intensifies political party discipline within the House of Commons and gives to the Executive corresponding dominating control in all matters of legislation. These are features which sharply distinguish the

British system of responsible government from the forms, or at least from the modes of operation, of responsible government found in other countries. The result is that members of the Government are able to assume towards private members of the legislature a position much more independent than they are able to take in countries where the legislature has not been willing to hand over to their leaders an equal degree of influence and authority. If, then, in Canada, the future shall see an increasing influence and control vested by the Parliament in the leaders which it selects and maintains in office, it may be expected that these leaders will be led to lend a less ready ear to the requests of private members for special legislative favors. Though perhaps unnecessary, it may be pointed out that such a growth in executive control is desirable only when accompanied by a continued exaction of full political responsibility upon the part of the ministers for all policies pursued by them, and a full legal responsibility for all official acts committed by them. It is the crown of the British constitutional achievement that this combination of executive power and responsibility has been so successfully maintained.

Treasury Control over Estimates and Expenditures. Equally marked among the failures of the Canadian Government to realize the good features of the British budgetary system is its failure to provide for vesting in its Treasury Department adequate control over the preparation of the Estimates and the expenditure of funds by the spending departments.

Under all systems of government it is necessary, and therefore the practice, that the estimates should be founded upon statements of financial needs prepared and submitted by the heads of the several spending services. But, for reasons which were pointed out in the opening chapter of this report, it is essential, if due efficiency and economy are to be secured, that there should be some one agency which should have the authority to scrutinize objectively these departmental estimates, reduce them when thought proper and bring them into due proportion and relationship to one another, and, upon the expenditure side, to exercise a controlling day-to-day supervision over all the expenditures of the spending departments. And if this scrutiny and revision is to be impartially and objectively done, it is practically necessary, for reasons inherent in human nature itself, that the agency through which it is done should itself not be a spending service, except of course as regards merely the salaries of its own clerical force.

As evidencing the enormous value to Great Britain of the work of its Treasury in this respect, a quotation may be made from the report on the System of Financial Administration of Great Britain. The commission which made that report, say:

> Only as it prosecuted its inquiries into the details of the manner in which the Treasury exercised its powers did it come to a realization that, important as is this power of the Treasury in respect to estimates, it constituted but one feature, one manifestation, as it were, of the far broader power that the Treasury has to supervise and control, not only all matters relating to the financial operations of the Government, but practically all matters of acquiring funds and property and all matters of incurring obligations—which may be called the business functions as distinguished from the public service activities of the Government.

More and more, as its investigation proceeded, the commission had borne in upon it the fact that in the Treasury the British Government had a great organ of general administrative control; that upon it fell the duty and responsibility for the final determination of what form of organization the several departments of the Government should have, what personnel was needed, what compensation should be paid, what new undertaking should be authorized, what changes should be made in the employment of funds as provisionally allotted by Parliament, what new grants Parliament should be asked to make, what the works program of the Government should be, etc.; that in discharging this function it was its duty to keep itself thoroughly informed regarding the conditions and needs of the several services and use its utmost endeavor to see that the Government operations were conducted with the maximum of efficiency and economy; that, in a word, the Treasury was the one authority to which Parliament and the public looked to see that public affairs were administered in an economical and efficient manner.

The investigation also brought out another fact which the commission is sure has never been adequately appreciated by foreign students, namely, that these broad powers of the Treasury, instead of being exerted once a year when the estimates are brought under consideration, are exerted from day to day throughout the year.

Still more important, the fact was developed that not only had the Treasury this important duty of acting as a general organ of administrative control, but this duty constituted practically its exclusive function. It is difficult to overestimate the importance of this fact. Until it is appreciated one totally misconceives the place of the Treasury in the British administrative system. Misled by the name, the commission began its inquiries under the impression that the British Treasury corresponded to the Treasury Department of the United States Government, that to it was entrusted, as its primary duty, the management of the national finances, the collection, custody, and disbursement of the public revenues, and that its powers in respect to the framing of estimates were, so to speak, incidental to this duty.

Nothing is further from the fact. It cannot be stated too emphatically that the British Treasury is, properly speaking, not a public service department at all. It has no public service duties of its own. Its functions are entirely auxiliary and controlling—restricted to looking after the financial and physical measures, and to the supervision and control of the activities of other departments. It thus stands in a class by itself as a service superior to, and in no sense coordinate with, the departments which render services direct to the public, properly speaking. In fact, it does not deal with the public; it does not collect the public revenues—this is done by the so-called "revenue" departments; it does not have the custody of the public funds—it has to secure "credits" before it has any control over such funds; it does not audit public expenditures—that is done by the Comptroller and Auditor General; it does not administer the public debt—that is performed by a separate organ, the National Debt Commissioners. It is true that these several services are often spoken of and in a way treated as subordinate services of the Treasury, but their subordination is practically the same as that of departments which perform public services. * * *

Once we grasp the fundamental status of the British Treasury and the principle upon which its powers rest, all difficulty in the way of understanding why the British system works so smoothly disappears.[1]

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[1] The Financial Administration of Great Britain, pp. 178-191.

As contrasted with the work of the British Treasury thus described, we find in Canada that the Minister of Finance has hardly a shadow of effective supervising power. The original estimates are subject to the influence of members of Parliament importuning the ministers for expenditures which will be of special benefit to the particular localities which they represent, and the appropriations, when made, are expended by the several departments and bureaus without any day-to-day supervision and control from the Minister of Finance.

As regards, however, especially the matter of the framing of the Estimates it will be proper to quote with approval certain easily practicable improvements which were suggested by Sir George Murray in his report on "The Organization of the Public Service of Canada." [1] All of these suggestions, it will be observed, have as their purpose the increasing of the guiding and controlling influence of the Ministry of Finance. Sir George says:

> By the control of appropriations I understand the methods which Parliament has prescribed for securing that the funds which it grants for the various purposes of Government are applied to those purposes and to no other. This seems to me to be adequately provided for under the existing law, which is effectively carried out by the Auditor General.
>
> The control of expenditure may be considered from two points of view; there is the control exercised by the Government over its own Departments; and the control exercised by Parliament over the proposals of the Government.
>
> The latter may, I think, be regarded as negligible for the present purpose. In theory the control of Parliament over expenditure is complete; in practice it is of little value. This is partly due to the fact that,

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[1] Sessional Paper No. 57a, 1912, p. 10.

as the Government must necessarily command a majority in the House of Commons, it can generally secure the passing of its own estimates; and partly because, notwithstanding many professions of a desire for economy in the abstracts, Members will generally be found demanding increased expenditure for purposes in which their constituencies are interested, rather than reductions on items which do not fall under this category.

In short, the control of public expenditure must depend almost entirely on the Government of the day; and here again we shall generally find that individual Ministers, while not unwilling to acquiesce in the reduction of the estimates of other Departments, are *prima facie* disposed to recommend increased expenditure in their own.

The Minister of Finance, who is responsible for raising the necessary taxation, is, therefore, as a rule, the only Minister who has a strong inducement to press for economy.

The point of time at which he can use his influence with the best effect is while the estimates are under consideration and before they have been presented to Parliament. Proposals for expenditure which have passed this stage may be regarded in practice as unlikely to be further amended except in the direction of ncrease.

The system under which the estimates are at present framed, criticised, and presented does not appear to me calculated to promote economical administration.

They are drawn up, in the first instance, by individual Ministers who are likely to be influenced argely by their own prepossessions, and by the pressure put upon them by Members of Parliament.

The estimates so prepared are then subjected to the examination of the Department of Finance; but this examination, owing to pressure of time, has necessarily been of a somewhat cursory character, and directed rather to the totals of the votes than to the details.

The final settlement is arrived at in Council, usually after oral discussion between Ministers.

This method appears to me to be at once wasteful of the time of the Ministers and unlikely to result in effective control, which can only be secured by persistent criticism of details, carried on by means of written correspondence in the first instance rather than by oral discussion, and under conditions which permit of a thorough examination of the proposals.

I suggest that the Department of Finance should be definitely charged with this duty. Every item of new or increased expenditures should be closely scrutinized; and the Department proposing it should be called on to state in sufficient detail the ground on which the expenditure is required; the reasons which prevent its being deferred to a later date; and the consequential expenditure which will be rendered necessary in future years if the proposal is sanctioned.

I think it is important that these proceedings should be carried on in writing. Oral criticism in Council by the Minister of Finance, and oral replies by his colleagues are necessarily but imperfect methods for either attacking or defending proposals made.

Arguments which may sound plausible in debate often lose much of their force when subjected to the kind of criticism which is only possible in the light of full information and accurate statement of fact. Pledges given in conversation are apt to be forgotten afterwards, and it is always desirable to keep on record statements of fact or arguments used in defense of particular points of policy.

Correspondence will, of course, take time; but there must be great inconvenience in the present system under which the examination of all the estimates must be concentrated in the short period which elapses between the date when they are forwarded to the Department of Finance and the date at which they must be submitted to Parliament.

Proposals for increased expenditure are probably being framed in the Departments throughout the year; and it is not easy to see why they should not be submitted for the approval of the Finance Department, as and when they are matured. This would relieve the pressure in the period immediately before the estimates are presented to Parliament, and would enable many of the proposals to be considered with due deliberation. Any sanction given in the course of the year, would be provisional and subject to any modification which might hereafter be found necessary when the final estimates for the ensuing year were under consideration.

When the process of examination was completed the proposals for expenditure would be reviewed by the Minister of Finance; and those which were accepted by him need not be considered again; those to which he raised objections not accepted by his colleagues would be referred to the Cabinet for discussion by the whole body of Ministers. The Cabinet would thus be relieved of an immense amount of discussion on the details of the estimates which is necessary under the present system, and would have to deal only with those points on which there was an irreconcilable difference of opinion between the Minister of Finance and one of his colleagues.

Centralization of Responsibility for Expenditures. The fact that the several spending departments are able to determine what the aggregate yearly expenditures shall be and to keep the estimates of future outlays within proper limits has been deemed one of the conspicuous merits of the English budget system. The British Cabinet is thus in a position to adopt a definite financial policy to which each individual minister must conform. A uniform course of action on the part of all the members of the Government is presupposed. In the case of Dominion ministers, however, this desired unity of policy as regards expenditures is frequently not attained. Attention has already been called to the fact that the Minister of Public Works often erects public buildings without consulting the department which is to occupy the edifice and without ascertaining whether its erection is really required in the public interest. This lack of coordination among the heads of the Administration is manifested in various ways.

> On the question of transport you have the Minister of Public Works working, building harbors and dredging. You have the Minister of Railways and the Minister of Marine doing other portions of the work. And you will find the officers of these ministers working upon the same area and with regard to the same object but in entirely different ways. And so you have confusion, lack of system, lack of continuity.[1]

> The Minister of Finance says that much of the total sum voted will not be expended. My reply is that he has apparently no control over the Minister of Public Works or any other minister with respect to expenditures. The Minister of Finance should inform other ministers what he can permit them to spend each year. The reverse is the practice. That is part of the duties of the Minister of Finance. He is not merely a tax collector.[2]

At the outbreak of the European war, the Canadian department of militia was granted a special appropriation of fifty millions of dollars by the Dominion Parliament for national defense purposes. It was voted by the Cabinet that no payments were to be made out of this large credit until after the same had been approved by the Governor General in Council. These instructions were not obeyed, however, and the militia department spent a large portion of the appropriation in question without obtaining any orders in council therefor.[1] After a lapse of two years, the Minister of Militia and Defense responsible for these expenditures was asked to leave the Cabinet on the ground, among other things, that he had disobeyed the express injunction about obtaining orders in council. On account of the interesting light which it throws on the manner in which the heads of the various Canadian government departments initiate expenditures without consulting other members of the Cabinet, the following extract from the correspondence between the Minister of Militia and the Canadian Premier preceding the former's resignation is worth quoting:

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[1] Mr. Foster—Can. Hansard, 1910-11, p. 6605.

[2] Mr. A. K. Maclean—Can. Hansard, 1916, p. 939.

> I do remember your asking me on one occasion to submit Orders In Council, when possible, before incurring large expenditures, but the reason you assigned was not protest from my colleagues over my action, but that it was to set an example so as to assist to control others. You instanced the Post Office Department, the Railway Department, and the Public Works Department, where projects had been undertaken without Orders In Council, and I remember distinctly you stated that some boats had been purchased and other large expenditures incurred, without your knowing anything about it, and without any Order In Council.[2]

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[1] For details see Journals Dominion H. of Commons, Vol. LI, Part 2, p. 15, et seq.

[2] Letter of Sir Sam Hughes to Sir Robert Borden of November 11, 1916, quoted in Montreal Daily Star of November 15, 1916.

Under conditions like those just described, no systematic restriction or planning of government expenditures would seem possible. Without the coordination of all departments, no fiscal policy can be successfully followed.

The System of Governor General's Warrants. There can be no question that the system of Governor General's warrants under which expenditures can be made which have not been authorized by Parliament introduces a disturbing element in the effective working of a budgetary system. That it has also led to grave abuses in the past has been abundantly shown. Other governments have been able to administer their financial affairs without this feature and there would seem to be no reason why Canada could not do the same.

The abolition of these special warrants would bring it about that legislative appropriations would be more nearly conformed to, and conditions would approach those of other countries where responsible parliamentary government exists. The anomaly could not then occur of a provincial government like that of Saskatchewan—after the local Parliament had voted five million dollars approximately for budgetary purposes in the fiscal year 1914-15,—spending by means of special warrants $1,140,478 [1] for items which had never appeared in the estimates submitted to the legislature. Such a gross violation of parliamentary injunction as to maximum expenditure would become impossible. That it is perfectly feasible to keep government expenditures within the limits fixed by a budget needs hardly to be demonstrated. As an example of close conformity to budgetary directions, the case of Germany may be cited. Although the German Imperial budget aggregated $750,000,000 in round numbers in 1910, the over-expenditure in the year named turned out to be only 0.31 per cent of the total sum voted in the budget.

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[1] For details see Regina Leader of May 15, 1915.

When the Quebec Opposition called the Administration to account for having expended in the fiscal year 1911-12, $670,002 by means of special warrants and thus having caused a wide divergence between the budget authorized and the real provincial expenditure, the Government stated as a defence that it was impossible for the treasurer of a rapidly growing Province to estimate months in advance what sums would have to be spent for the conduct of public affairs. This can only be termed a lame excuse, however, for in England—where on account of the world-wide extent of the British Empire sudden and unforeseen contingencies are far more likely to occur—the British Parliament has not found it necessary to entrust the executive heads of the government with the power of issuing special warrants.

You may have in your mind the case of the army and navy and the government of a great empire and the contingencies unforeseen and unprovided for nearly every session, but Parliament has considered all that in the Government of the Mother Country and Parliament there has declared that notwithstanding all that, there shall not be taken one farthing for any of these expenditures if the Appropriation Act does not make provision for these very purposes. And they take civil contingencies and the army and navy contingencies, and after having put in a list of the principal items that they can foresee, they put in a liberal amount for unforeseen or unprovided expenditure in connection with these important services, and the money is taken from no other sources and in no other way.[1]

That it is perfectly possible to conduct Canadian public affairs without resorting to Governor General's warrants is evidenced by the fact that the warrants of this nature, issued by the Dominion Government between the years 1873-78, called for an aggregate expenditure of less than $200,000. The improper use of these warrants would doubtless be greatly checked if it were possible to require the Government to obtain from Parliament the passage of a bill of indemnity covering all sums expended without legislative authorization.

> It is not my intention at present to discuss the various remedies that might be adopted, short of striking this provision (concerning special warrants) entirely out of the Audit Act, and compelling the Government, as I think used to be done in similar cases, to apply to Parliament for a formal act of indemnity, when from any cause they are obliged to spend money without the authority of Parliament.[2]

Nevertheless, so long as Canadian ministries possess the right to use the public funds without a direct vote of the legislature, Parliament will always be threatened with a usurpation of its powers by the Executive. How great this danger actually is appears from the action of the new Dominion Administration in 1896, already described in a previous chapter. Although Parliament had stopped the supplies and had deliberately refused to vote certain salaries, its action was completely nullified and the Government officials received their accustomed pay for two full months by the authorities merely issuing special warrants for the two million dollars thus required. As we pointed out at the time:

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[1] Sir Charles Hibbert Tupper—Can. Hansard, 1896, 2d session, p. 692.

[2] Sir Richard J. Cartwright—Can. Hansard, 1891, p. 4541.

> If a ministry were in power who would not be as honest as those holding office, and who would be more venal, and who had a sufficient majority to support them, whether right or wrong, they might ask Parliament to vote only a million dollars and raise the other thirty-five millions by Governor-General's warrants on the plea of urgent need.[1]

In 1896, the Dominion Government defended its course in paying these salaries on the ground of public necessity and because the interests of the country would have otherwise suffered. British statesmen have held, however, that—even if a deadlock over appropriations should occur—it is clearly the duty of a constitutional government to look to parliamentary supplies alone for meeting the liabilities of the government. Thus, Earl Grey, when Secretary of State, instructed the Governor of British Guiana in a case where the legislature had failed to pass the annual supply bill that "he must strictly confine himself to his legal powers, and that those public services for which he was refused the means of providing must be discontinued." In more detail, Earl Grey wrote:

> For my own part, I greatly regretted the certain increase of the difficulties of the colonists, and the great danger to their lives and property which might arise from their refusing to the Government the means of meeting the charges of the civil establishment, including the police; but I did not think that those who were determined to proceed to these extremities ought to be relieved from the consequences of their own conduct. On the contrary, I thought it

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[1] Mr. Sproule—Can. Hansard, 1896, 2d session, p. 767.

absolutely necessary that they should be made to feel that we (i. e. the Imperial authorities) would not flinch from the course that we had deliberately adopted, and that they must be prepared to meet the consequences of their own measures, of which the responsibility would rest solely on themselves.

Upon this topic of special warrants it is pertinent to quote the recommendation made by Sir George Murray in his report on "The Organization of the Public Service in Canada."[1]

> In at least one respect the existing financial system seems to me unnecessarily rigid. Under section 41 of the Consolidated Revenue and Audit Act the Auditor-General is directed to see that no payment of any public money is made for which there is no direct parliamentary appropriation, or which is in excess of any such appropriation.
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> The result of this provision is that (except during the parliamentary recess when special powers are available to meet urgent and unforeseen expenditure) no money can be spent on any service not specially provided for in the estimates, nor can the sum provided for any service be exceeded.
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> But it must occasionally happen, for example, that a public work for which specific provision has been made in the estimates, turns out in the course of the year not to be required, while some other work *ejusdem generis* proves to be urgently needed, or again, that the amount provided for a work turns out to be insufficient to complete it within the year, and the progress of the work has accordingly to be suspended until further supplies have been made available. I think it would be reasonable, so long as the total provision under the vote was not exceeded, that there should be some means of supplying these defi-

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[1] Sessional Paper, No. 57a, 1912.

ciencies; and that power might be given to the Minister of Finance on the application of a Department to authorize expenditure of a like kind to that already provided for in the estimates; or to authorize expenditure on a specific service in excess of the provision made.

But in both cases the power should be subject to the limitation that the total amount provided in the vote was not to be exceeded; and it should be clearly understood that the power was not to be used except in really urgent cases.

Expenditures in Excess of Appropriations. Attention has also been called to the fact that individual departments of the Dominion government at times make expenditures in excess of appropriations granted to them. It is explained by the authorities of Canada that this is rarely deliberate but usually results from mistakes made in charging disbursements against particular appropriation heads. That such mistakes can be made would indicate that either sufficient care is not taken by accounting officers in authorizing or making disbursements or that adequate means does not exist for holding such officers to a due accountability for the manner in which they discharge their duties. All such excess payments are, however, reported to Parliament by the Auditor General. Parliament can thus take such action in respect to them as it sees fit. That the existence of such a system constitutes a defect in the Canadian system can hardly be doubted.

Unexpended Appropriations. The British budget practice is to insert only such items in the Estimates as will be actually expended during the coming fiscal year. That this is the correct procedure has been aptly pointed out by a prominent Canadian member of Parliament.

If the budget system has any virtues, estimates should only contain actual necessities and should represent actual intentions.[1]

In the case of the Dominion, however, the Estimates are full of items which the Government has no intention of spending in the immediate future. Thus, in the fiscal year 1912-1913, $22,519,000 was voted in the Estimates for the Public Works Department. Of this amount $13,584,000 was actually spent and no less than $9,135,000 not made use of. This practice of inserting items in the estimates which cannot possibly be expended is an unfortunate departure from correct methods of budget making.

In all these items there is evidence of a practice which has grown up of voting a sum of money year after year without its being spent. I have said before, and I repeat, that I do not think it is a proper practice to continue voting money without a serious intention of spending it. If it is needed and we vote it, it ought to be spent. If it is not needed, this House should not be called upon to vote it.[2]

The Estimates which have been brought down provide for an expenditure on consolidated fund account of $158,958,730.58. In the budget speech the minister of finance stated that he did not contemplate expending $158,000,000, but only $125,000,000, if I understood him aright. Therefore to provide in the estimates for $33,000,000 more than you intend to expend is a very wrong practice.[3]

The Estimates are objectionable in that they do not show sufficient reduction. The Government replied that much of the money voted is but re-votes and will not be spent. * * * The Government has no right to ask Parliament to vote money which they say they will not likely expend. No other spending body is permitted to do this.[1]

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[1] Mr. A. K. Maclean—Can. Hansard, 1916, p. 936.

[2] Mr. Sproule—Can. Hansard, 1902, p. 1002.

[3] Hon. Sir Wilfrid Laurier—Can. Hansard, 1916, p. 854.

In reply to this protest on the part of opposition members to the Estimates of 1916, one of the Dominion ministers offered the following defense of the Government's course. Speaking of the retention of votes in the Estimates for new public buildings, he said:

> We are not going on with these public buildings while the war continues, but we will retain the votes in the Estimates in the hope that we shall be able to go on with the work as soon as the war is over. Believing as we do that it is in the public interest that these buildings should be erected, it would be ill advised on the part of this Parliament to drop the items from the Estimates.[2]

On the other hand, grave objections are apparent to the policy of embodying an ambitious financial programme in the Estimates which the Government has not sufficient revenues to carry out. Not only do the Estimates fail then to afford a true criterion of what the Government's actual outlays are going to be, but the inclusion within them of illusory items "prolongs the hope for unprofitable expenditures in the minds of many people and localities, and postpones the day when we should and must revise our policy upon public expenditures." [3]

Distinction between Capital and Revenue Accounts. In the public accounts and yearly financial statements submitted to the Dominion and Provincial Parliaments, the various items of expenditure are classified, as we have seen, either under capital or under revenue accounts. No compelling reason has been advanced for the creation of such a distinction in a government expenditure. A private corporation is obliged to establish a capital account in order to determine its net profits and the amount available for dividends to its shareholders from year to year. A state or municipality is, however, under no such necessity. It might be deemed proper for a commonwealth to charge to capital account all amounts invested in public undertakings susceptible of producing a steady net income like government railways or telephone lines. But this has not been the case in Canada, where no uniform rule has been followed in regard to the items to be credited to capital account. Originally the idea appears to have been ✓to (so) charge expenditures made upon public improvements of a permanent nature and which did not entail any further outlays when once completed. The practice now generally observed is to enter under capital account all unusual or one-time expenditures, such as moneys spent on so-called permanent road improvements or in gifts for famine or war relief purposes.

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[1] Mr. A. K. Maclean—Can. Hansard, 1916, p. 936.
[2] Hon. Mr. Rogers—Can. Hansard, 1916, p. 2939.
[3] Mr. A. K. Maclean—Can. Hansard, 1916, p. 936.

In the description of capital and revenue accounts in the earlier portions of this treatise, the fact was emphasized that this classification of government expenditures afforded an opportunity to juggle with the public accounts by shifting items from one column to the other and to hide the true state of the public finances. The possibility of such concealment puts a dangerous power in the hands of an unscrupulous administration and one not above misrepresenting actual conditions. For example, a government can easily show a surplus in its operation of a public utility by merely charging to capital account ordinary renewal expenditures which should have been properly entered under operating expenses. In order to guard against such an improper showing, it was unsuccessfully proposed a number of years ago that the Dominion Auditor General be expressly directed to report to the House of Commons whenever "a sum charged against a grant for capital account was expended, wholly or in part, for a purpose properly chargeable to revenue account."

> We find, in passing the estimates every year, that large sums are granted on capital account. It is impossible, when the estimates are before the House, however anxious gentlemen here may be to do their duty, to know whether the whole of that money is properly chargeable to capital or not. The Government obtains a grant for, say, half a million of money applicable to a certain line of expenditure, and to be charged to capital. For example, in the railway grants a sum of three or four hundred thousand dollars may be applicable to expenditure upon bridges, and half a million in some years has been granted on capital account for steel rails. Now, no one in this House, when the estimates are passed, can undertake to say absolutely how much of that should be capital and how much revenue. But when the accounts come before the Auditor-General, after the expenditure has taken place, the Auditor-General can tell that and can, by obtaining expert advice, know very closely indeed how much of that money should have been really charged to capital and how much to revenue. But as the statute has already been passed upon the estimates, making it all applicable to capital, he, as auditor, has nothing to do with it; all he can say is that $500,000 has been expended upon rails and $350,000 upon bridges, and upon the Act which was passed by Parliament he is directed to charge all to capital.

Now, I say that the Auditor-General, while carrying out strictly according to his duty what Parliament has directed him to do, that is to charge that money up to capital, should be enabled and required to report to this House specially that it has come to his knowledge in the investigation of the accounts that a portion, perhaps all, of that which was so charged to capital ought really to have been charged to revenue account. Can anybody dispute that this is an important feature of auditing? The Auditor-General cannot help us as the Audit Act stands. The estimates have been passed, they have become an act of Parliament. He is directed to charge a certain expenditure to capital, and he must obey, though he finds in the course of the year that the Government is renewing bridges with capital appropriation. If he were to report the fact to Parliament, we could see that sometimes half a million of money, that has been charged to capital and added to the debt of the country, has enabled the minister of the day to show a profit of several hundred thousand dollars on the operation of the railway; and the result of the honorable gentleman showing such profit, is that the apparent profit is issued to justify expenditure in other directions. Why should we not know the truth? . . . It may not matter to us whether the debt is incurred on capital account or whether we have had a deficit in the earnings of the railway, it is all a debt. But we do want to know whether the railway is being worked at a profit or at a loss, and it is a proper thing for that purpose that such a report as this should come from the Auditor-General to Parliament when he finds that the estimates, as they have been granted by Parliament, are cloaking the truth.[1]

As this proposed change in the Audit Act was never adopted by the House, neither the Auditor General nor any other Canadian official examines into the question as to whether the amounts charged to capital accounts ought really to have been so charged. The Government is still able consciously or unconsciously to manipulate the public accounts in this respect.

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[1] Mr. Samuel Barker—Can. Hansard, 1904, p. 6618.

Another consequence of dividing government expenditures between capital and revenue accounts is that it has led to the weakening of parliamentary control over government outlays. As has been repeatedly reiterated, the underlying principle of all Canadian constitutions is that the people's representatives have the sole right to determine the government's expenditures and that none of the public money shall be expended by the authorities without the previous sanction of Parliament. Every proposed appropriation of public funds should appear, therefore, in the estimates of sums to be appropriated for the various government services and be considered and passed upon in the Lower House. In recent years, however, the tendency has been not to insert intended expenditures on capital account in the Estimates submitted to Parliament and to withdraw such items from its direction and control. This is more especially true of the Provinces.

Consider, for example, the expenditures of $150,000 charged to capital account on bridges and culverts in Nova Scotia in the provincial fiscal year 1913-14. Very recently the Government there caused Parliament to pass statutes authorizing the expenditure of certain large amounts on bridges, road culverts and on other public services, and the borrowing of money for this purpose. In former times, the Administration would have announced in the House of Commons that they proposed to expend out of borrowed moneys $150,000 upon bridges and culverts and the information would have been forthcoming where and in what manner this sum was going to be spent. But nowadays the Government proceeds on the theory that this expenditure, like all others sanctioned by the passage of a general act and chargeable to capital account, is in a category by itself and does not have to undergo the scrutiny of the lower branch of the legislature.

Hence, the executive authorities decide the amount to be expended in any given year on the public services in question and the localities where it shall be disbursed. Parliament is kept in ignorance of the particular road and bridge improvements to be carried out and of their probable cost. This diminishes the authority of the legislative branch of the government and illustrates anew the growing power of the Cabinet in the conduct of Canadian affairs. If there be any merit in a legislative safeguarding of the people's money, this withdrawal of capital outlays on public improvements from Parliament's oversight and control must appear extremely regretable. And as the distinction between the capital and revenue accounts observed in Canadian public finance serves no good purpose but possesses a number of grave drawbacks, its total abolition is to be welcomed from whatever standpoint viewed.

Supplementary Estimates. As has been pointed out before, Canadian estimates are divided into main and supplementary estimates. Instead of supplementary estimates being resorted to only on those rare occasions when it is necessary to provide for some totally unforeseen expenditure, they are in practice used to cover a large percentage of the government's total outlays.

For example, the Dominion estimates for the fiscal year 1913-1914 appropriated $143,213,815 in all. The main estimates contained $125,850,338 of this amount as against $17,361,477 in the supplementary estimates. Hence the main estimates, which are first submitted to the House of Commons and which were originally intended to indicate with some degree of exactitude what the total government expenditures during the coming fiscal year should be, have ceased to be a safe guide as to future government disbursements. What the administration really intends to spend cannot be ascertained now until after the various supplementary estimates have been passed. Besides proving an incentive to the slip-shod preparation of the main estimates, the employment of supplementary estimates on such a wide scale as is practiced in Canada tempts the Government to withhold from Parliament a complete statement of the country's financial needs and thus to show a sham economy. This is particularly true of election years.

Lump Sum Appropriations. That it is the function of the appropriating authority to determine not only the sums of money which should be placed at the disposal of the Executive, but also the purposes or objects for which they may be spent, is without question. This duty is performed not only by insisting that no public moneys shall be expended without express legislative authorization, but by specifying, in the acts of appropriation, the specific purposes for which expenditures may be made and the maximum sums available for each. It is clear then, that by this power of itemization in the appropriation acts there is placed in the hands of the legislature a means whereby a control over executive expenditures may be carried to any conceivable limit.

Unfortunately, however, this is a form of control which, if carried beyond a certain limit, is necessarily prejudicial to efficiency in the administration of the government. For, as does not need to be dwelt upon, if the hands of executive agents are too tightly bound, they have not the means of adjusting their acts to administrative exigencies as they arise from time to time and which cannot be foreseen by themselves and certainly not by the members of the legislature. It would seem then that if administrative efficiency is to be harmonized with legislative control of the purse, a golden mean must be secured as regards the details in appropriation acts which are made binding upon the spending authorities.

The making of appropriations under general heads has undoubted advantages. Whenever this practice is resorted to careful provision should be made that the discretion thus given to expending authorities is not abused. A study of Canadian practice would indicate that such precautions are not adequately taken.

> Is it business-like to take a lump sum of $200,000, $300,000 or $400,000, covering a dozen different things, and put that through without any itemizing at all, a portion of it for other things and no division at all as to that amount which is properly referable to salaries or as to the amount which is properly referable to other operations and other things? In my time, we had some lump votes, but I would like my honorable friend to take an estimate of 1890, or from that up and compare it with the estimate now and he will find that the tendency has been to give lump votes. * * * I do hope, although it may be too much

to hope for, that succeeding estimates will show more sub-divisions so that we can define things a little more accurately. The ministers ought not to have too much power. It is a great temptation. If your back bencher comes to you and wants something and you can show him you have a special vote for that and your vote will not allow it you have an answer, but if he shows you a vote of $400,000 out of which you can take whatever you like for any purpose, you are shorn of an argument that I am sure the Minister of Agriculture must often wish to have.[1]

The Canadian Government Railway estimates for 1915-1916 furnish as good an illustration as any of the drawbacks of lump sum votes. The estimates allowed $13,000,000 for the working expenses of the Intercolonial Railway and $650,000 for the operation of the Prince Edward Island Railroad without a single line of explanation. No attempt was made to classify this expenditure or to give Parliament any detailed information in regard to it. The Dominion House of Commons had no means of telling whether the appropriations asked for were really required or not, but had to accept the assurance of the Minister of Railways that the government railways could not be carried on efficiently unless the sums demanded were granted in full.

In Great Britain this problem of harmonizing legislative control over expenditures with administrative discretion is admirably met through the grouping of items in the appropriation acts under larger heads termed "votes," which are true appropriations, and subordinate divisions termed "subheads under which 'votes' must be accounted for to Parliament," and providing that sums authorized under one "subhead" may be shifted, if

[1] Mr. Foster—Can. Hansard, 1909, p. 969.

deemed expedient, for expenditures under another "subhead." These *"virements"* must, however, in England, receive the approval of the Treasury, and the annual reports of expenditures to the Parliament must show them.

It will be observed that this surrender of discretionary spending powers to the executive services is guarded not simply by a rigid accounting under the heads enumerated in the appropriation acts, but by a continuous controlling authority exercised by the Treasury over the acts of the several services. Except for this supervisory control the wisdom of granting such extensive discretionary power to the executive agents might be doubted. There is thus furnished an additional argument in favor of the establishment in any state of such an organ as Great Britain possesses in its "Treasury." For, without it, it is not possible to harmonize so closely the conflicting requirements of responsible government and efficient public administration.

Public Accounts Committee. In England, the Public Accounts Committee has been so constituted as to prove an efficient body of investigation into past government expenditures. The opponents of the Administration form the majority of the committee and direct what line or inquiry shall be pursued. At the committee hearings, party differences are laid aside, and both sides unite in seeking to ascertain the real facts concerning the correctness of government expenditures.

It (Public Accounts Committee) is the only committee of the House of Commons on which I have ever sat, where there has been no party feeling. Members of both sides of the house apparently drop their partisan feeling the moment they enter the committee room.[1]

The knowledge that all the details will be brought to light in the Public Accounts Committee acts as a deterrent on wasteful and extravagant government expenditures. In Canada, however, this deterrent is lacking. Little risk exists of any action of the Administration being thoroughly exposed in the committee. Its time is often taken up in unprofitable wrangling and any attempted inquiry more or less successfully blocked by the machinations of the friends of the Government who form a majority of the committee. Should, nevertheless, certain damaging evidence be unearthed, a royal commission of inquiry is appointed with limited and carefully defined powers of investigation to supersede the work of the committee. A thorough-going and impartial sifting of the facts in any case of improper government expenditure rarely takes place in Canada.

To overcome evils like those just described, it is necessary that the Canadian public accounts committees should be reconstituted on an entirely different basis. As now composed, they are entirely too large for efficient work in the case of both the Dominion and the larger Provinces. Their unwieldy size and partisan make-up gives rise to much wrangling when meetings are held and much precious time is thereby lost. The presence of newspaper reporters at the committee hearings affords notoriety-seeking members a chance to advertise themselves and delays the committee from getting down to business. All these stumbling blocks could be removed if the Canadian public accounts committees were constituted in accordance with English precedents, which allow the Opposition to name both the chairman and a controlling majority of such committees and to direct its work as well.

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[1] Captain Jessel—Hansard's Parliamentary Debates, 4th Series, Volume 179.

The proposal has been seriously urged in the past that all differences between the Auditor General and the Treasury Board in regard to government expenditures should be investigated by the Public Accounts Committee. The reasons for this innovation has been stated as follows:

> I submit that it would be better that these questions be discussed in the Public Accounts Committee rather than brought in for discussion on the floor of Parliament, which is the only other place we could discuss them. But in Parliament they would not be likely to receive the same attention as in the committee; it would not be possible to investigate the causes which led to the decision of the Treasury Board or the objection of the Auditor-General with anything like the fullness that it is desirable these should be investigated. . . . If we are to maintain the office of the Auditor-General in the form in which the statute declares and designs, I do not see how we can do it without having some discussion, either in this committee or before some similar body where there are disputes between the Auditor-General and the Government of the day. The Auditor-General is intended to be an independent officer. Now, if he has no kind of appeal from any decision made by the Treasury Board, the usefulness and independence of his office will be in a great measure destroyed. I think it is of the essence of the functions of the Auditor-General that when he raises an objection of this kind, the matter should be discussed and a decision arrived at which might govern him in future, saving the Government and saving us a good deal of trouble in dis-

cussing these matters, which are often of a technical and somewhat complicated character.[1]

Perhaps on the grounds recited below, this suggestion was never adopted.

I do object to its being supposed that the Committee on Public Accounts, by the reference of correspondence of this kind, is to be charged with the duty of trying the Government—and that is what it will have to do if it is to decide between the Auditor-General on the one side and the Treasury Board on the other. Let me call the honorable gentleman's attention to this fact that, time and again, in numbers of cases on record the British Government, in the British House of Commons, has distinctly declined to submit to a trial by a committee of the House as regards its conduct or administration as an Administration. . . . I do object to the committee undertaking to decide between the Auditor-General and the Government, and the honorable gentleman will see the inconvenience of that course. In the first place, the Government is responsible to the House and is charged with the duty of giving the House the reasons and the justification for its action in each particular case. If the committee undertake simply to hear the evidence of the Auditor General, they will decide on hearing one side only, otherwise it will be incumbent on all the members of the Government to appear before the committee on public accounts, as a tribunal to decide whether the Auditor General or the Government was right.[2]

General Political Conditions. The failure of Canada to secure a satisfactory administration of its financial affairs notwithstanding the adoption of a budgetary system based on one which had given excellent results in Great Britain is, however, not to be explained wholly by the fact that in certain respects it has not made its system conform to the one it followed as a model. In no small degree responsibility for its failure rests upon certain general political conditions that obtain in the Dominion. Our consideration of the budgetary situation in Canada would therefore be incomplete without some further reference to these conditions.

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[1] Sir Richard Cartwright—Can. Hansard, 1894, p. 2632.

[2] Mr. Davies—Can. Hansard, 1894, p. 2629.

The Spoils System. It must be patent to all that no budgetary systems will result in real economy and efficiency in the administration of public affairs so long as a patronage system, such as flourishes in Canada, obtains, and government expenditures are made to further party interests.

> Politics enter every appointment (in the outside service), and politicians on the spot interest themselves not only in the appointments but in subsequent promotions of officers. . . . Not only is the appointment controlled by the politician in the first instances, but the promotion, the status the man shall occupy from time to time, his progress is guided by the hands of the politicians.[1]

> I see before me the ex-Minister of Railways, and I well remember when a few years ago he practically defined his position as minister by stating that in the appointment of any man on the Intercolonial Railway, even down to the very navvies, he would take into consideration the interests of his party and not the welfare of the country.[2]

> Take the whole system from the time that the tender is asked for until the work is completed, and everywhere, it is hampered, it is checked, it is made extravagant, it is made costly, it is made more often

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[1] Report of Commission on the Civil Service—Quoted in Can. Hansard, 1907-08, p. 9206.

[2] Mr. Armstrong—Can. Hansard, 1907-08, p. 9172.

corrupt by the effect of the patronage which meets it at every turn and calls for its toll out of every part of the transaction, from the contractor down through all the multitudinous supervisors and foremen and supply givers. The patronage system is there and it performs its one function, which is to make all works more costly, which is often to cause the erection of unnecessary works at exaggerated cost, and which is always to vitiate in some form or another.[1]

The introduction of civil service reform in the outside service and the elimination of the patronage system in all its forms would eradicate the evils just described and would also do much to further good government in Canada. Incidentally these reforms would materially help to lighten the labors of the Public Accounts Committee.

If we should take that step (towards civil service reform), the duties of the Public Accounts Committee would be to a considerable extent done away with, because there would no longer be abuses in the departments of this Government, the exposures of which have taken up so much of the time of that committee.[2]

Political Partisanship. Important to be considered is the influence exerted by political partisanship. This is an evil which springs out of the general political standards of those entrusted with political authority and the tolerance of those standards by the people generally, and not, primarily at least, from defects in the system of financial administration which Canada has adopted. For the real correction of the evil, one must, therefore, look to a change in the general attitude of the people and of their representatives with reference to the raising and expenditure of public funds.

[1] Mr. Foster—Can. Hansard, 1909-10, p. 2445.

[2] Mr. Armstrong—Can. Hansard, 1907-08, p. 9171.

The treatment of public moneys as trust funds would help to prevent political considerations from determining to the same extent as now what public works are to be undertaken. It has been suggested in Canada that all proposed public improvements be referred to an impartial board or tribunal for examination and report.

> There ought to be a board in some way established before which all large claims for public expenditures of that kind should go for investigation and impartial report. Not that that board should have power to decide; the duty of the board should be to gather the information and give it impartially from a business standpoint in the form of a printed report and then the minister and the house could do what it pleased about it.[1]

But if an impartial body like that just described is to be in a position to enforce a sound policy concerning public improvements, it should possess the right to determine whether or not a given public work should be carried out on the proposed lines. In this way, it would be in a position to reduce all unwarranted and wasteful expenditures in the Public Works Department to a minimum. At the present time, pressure for improper expenditures is all concentrated on a single official, namely, the Minister of Public Works, who often finds it impossible to resist the appeals made by party heads for such outlays. If constituted along the right lines, an impartial revising board ought to prove more independent and less subject to partisan influences than a solitary minister. On account of its being an impersonal entity it should find less difficulty in rejecting unworthy projects.

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[1] Mr. Foster—Can. Hansard, 1910-11, p. 6604.

Lastly, the institution of such a board would render it impossible for members of the Dominion Parliament as now to participate in the preparation of the estimates by causing the insertion of items of expenditure to be carried out by the Public Works Department. The making of estimates on the request of members of Parliament would therefore cease. Consequently as it would tend to alleviate and remove certain of the existing evils of Canadian budget methods, the establishment of a reviewing board for all public improvements could only be regarded as a step in the right direction.

No Strong "Opposition." Canada, too, lacks the check on government extravagance afforded by the presence of a strong and numerous opposition party, which has contributed so much to the success of parliamentary government in the motherland. Parties are far from being evenly balanced in the Dominion. In the provincial legislatures, the Opposition is frequently hardly represented at all. Thus a short time ago, the Opposition possessed but a handful of members in liberal British Columbia, and only two out of forty-eight members in conservative New Brunswick. In Quebec, all but five out of eighty-one members of the House of Assembly are supporters of the Government. In the case of the Dominion, the so-called Nationalists or French-Canadian representatives hold the balance of power between the Liberal and Conservative parties, and at the moment are affiliating with the latter side. But even where a more equal division of representation is to be found, no effective opposition exists in the English sense for both the great parties are in accord in a policy of lavish government expenditures, and must divide the responsibility for the unjustifiable disbursement of public funds.

We are extravagant in the disposition of our national wealth and income for purposes that frequently are both unnecessary and unproductive and devoid of sound business principles. Both political parties must assume responsibility in this respect.[1]

Equilibrium of Revenues and Expenditures. The British practice has been, generally speaking, to have tax laws expire with the end of the current fiscal year. As these taxes must, therefore, be re-imposed every twelve months, an opportunity is afforded annually to maintain an equilibrium between the revenues and the required expenditures of the government. Should the national income yield more than is required for this purpose, the next year will witness generally a reduction in the income tax or a lowering of some other form of levy. The necessity with which the English Government is confronted of having to submit at each session of Parliament a new scheme of taxation serves in itself as a salutary check upon any superfluous or wasteful expenditure and is a powerful stimulus to economy. In Canada, however, practically no attempt is made to bring about an exact adjustment between revenues and expenditures. Laws relating to the collection of revenue are not re-enacted from year to year but, once introduced, remain in force until altered by further acts of Parliament. Thus, for example, if the Dominion receipts should show a large surplus over expenditures at a given period, no remission of tariff duties or change in any other form of taxation would ensue.

Even when the government's revenue has been far in excess of requirements, a remission of taxation has seldom taken place in Canada.[1] Thus, in the fiscal year 1912-13, the receipts of the Dominion were one-half as large again as the total ordinary government expenditures. Despite the resultant surplus of fifty-six millions of dollars, no downward revision of the existing rates of taxation occurred.

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[1] Mr. A. K. Maclean—Can. Hansard, 1914, p. 2486.

In place of reducing taxation, the Canadian policy has been preferably to dispose of a surplus in government revenue by increasing the scale of public expenditure.

> The Government is more interested and concerned in devising means for the expenditure of the revenue than for providing the requisite revenue for necessary and legitimate expenditure. I remarked last year that it ordinarily was the function of a Government first to fix its budget of expenditures, and then to provide the revenue by taxation, but it is obviously the practice of the Government to obtain all the revenue possible and then to provide the means of spending it.[2]

> We are reaching a peculiar position in this country in respect to finance. Ordinarily we first estimate our expenditure and afterwards provide ways and means to meet that expenditure. But things are being reversed. We estimate our revenue and then we proceed to find ways and means to expend that revenue; in other words, the Committee of this House, which has always been known as the Committee of Ways and Means has virtually become the Committee of

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[1] The fact that the tariff rates are fixed in many cases primarily for purposes of protection and only incidentally for purposes of revenue, should be taken into consideration. Thus the retention of a large revenue-yielding item might be justified even though there were no need for the receipts obtained from it. Also to be taken into consideration is the fact that in England the bulk of the revenue has normally been raised by direct taxation, the returns upon which can be calculated with a fair degree of accuracy, whereas in Canada, the revenues come largely from excise and customs duties whose yield cannot be so closely foretold.

[2] Mr. A. K. Maclean—Can. Hansard, 1914, p. 2487.

Supply, and the Committee of Supply has become the Committee of Ways and Means.[1]

Hence, while in England the government's income is regulated each year in accordance with public requirements, in Canada, until the outbreak of the war, it was the size of the receipts which determined how great the annual expenditures of the Dominion and provincial governments should be. Ample proof of this assertion is to be found in the financial statements of the Dominion Government. For example, the ordinary revenue increased between the fiscal years 1911 and 1914 some forty-six millions of dollars. During the same period, the ordinary expenditures grew over forty millions of dollars. In 1914, $27,991,000 was spent on public works as contrasted with $11,807,000 in 1911; $12,800,000 on the Post Office Department as against $7,954,000; $3,084,000 on the Land Office instead of $1,617,000, and $2,683,000 in aid of agriculture in place of $1,320,000. Had it not been for the rapid augmentation of the national income during the period in question, it is safe to say that the greater part of such increased outlays in these and other government departments would never have been thought of.

The same phenomenon of enlarged government receipts entailing increased expenditures is to be observed in the Provinces. Thus the ordinary receipts of New Brunswick for the fiscal year 1914-1915 amounted to $1,634,079 or $68,329 more than had been originally estimated. This was counter-balanced by ordinary expenditures in excess of estimates amounting to $69,140. In the fiscal year 1912-1913, the receipts of British Columbia ran $2,533,000 ahead of the estimates. This led the authorities to swell their anticipated expenditures on public works alone by $1,432,000. Again, Quebec's ordinary receipts in the fiscal year 1913-1914 turned out to be $1,597,000 more than was counted upon. This unexpected windfall was almost entirely offset by increased expenditures of $1,577,725 beyond the amount first proposed in the budget submitted to the Provincial Parliament.

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[1] Mr. A. K. Maclean—Can. Hansard, 1912-13, p. 10427.

Since Canada is a rapidly growing country where government receipts are almost constantly mounting, retrenchment is never in order under this policy of keeping expenditures up to the limit of revenue. In fact, at times the government's receipts have increased so rapidly that new ways of spending it have had to be devised. Thus in the case of the Dominion, the Dominion government at first built wharves, piers and breakwaters in the larger harbors and in the more important places along the seaboard. As the national revenues grew and more money became available for spending purposes, the original practice was extended and made to apply to all navigable waters, whether they were tidal estuaries, inland lakes, rivers or canals. So the Dominion government has come to embark on a policy of petty improvements and has built breakwaters costing as low as $300 and small wharves, where the expense involved is from $700 up and where no attempt even is made to collect wharfage dues. To the superabundant national revenue must also be ascribed, the more recent policy of the Dominion government of building at least one official structure in every county irrespective of the public needs or the size of the population, and which has led to the construction in small hamlets of post offices, costing as high as $30,000.

Growing Power of the Cabinet. Of late years the growing importance of the Cabinet and the diminishing role played by Parliament as an agency of criticism and control has attracted much attention. The Ministry determines the policy to be followed and the legislative branch is expected to approve it without adequate examination or opportunity to impose political responsibility. In other words, parliamentary powers are being more and more assumed by the Governor in Council, that is, by the Cabinet. This attempted diminution of Parliament's prerogatives has been in progress for many years. The following quotations shed light upon the manner in which this movement is received in some quarters.

> The bottom principle in the Province of Ontario, in the old Province of Upper Canada, was responsible Government, and Parliament control over public expenditure. . . . That principle, this Government is endeavoring to subvert and overthrow. The first attempt in that direction after Confederation was made in the Province of Ontario in 1870, by John Sandfield Macdonald, he being then Prime Minister. He put through the legislature an Act appropriating $1,500,000 in aid of railways, and placing that money in the hands of the Minister of the Crown to be expended by Order-in-Council without reference to the legislature.[1]
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> If the money were spent in the ordinary way, we would be met each year with an estimate showing for what purposes the money was required; Parliament could examine that estimate, and could refuse it if it saw fit. That is a safeguard. Then we place it year by year under the control of a responsible minister, and if the minister spends it, he accounts for it and he

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[1] Mr. German—Can. Hansard, 1912-13, p. 9144.

> is liable, if it is misspent. If he does not spend it, it does not remain in his hands; it has to be revoted the following year. That is a great safeguard. . . . If it has been wrongly spent, it can be inquired into at the Public Accounts Committee, and the Government is responsible to Parliament.[1]

Instead of adhering to the system above outlined, a method of expenditure by Governor in Council is coming more and more into vogue in Canada. This is especially true of intended expenditures on capital account. Once such expenditures are authorized by the passage of a general act, they cease to be inserted in the estimates submitted to Parliament and are withdrawn from its further scrutiny and control. A very good illustration of this new practice occurred in Ontario, in 1913, when the legislature voted that an appropriation of $5,000,000 to be used for the development of roads in northern Ontario should be expended by the Lieutenant Governor of the Province in Council. This encroachment by the Ministry on the prerogatives of Parliament has evoked considerable opposition at times.

> I have watched the trend of Parliamentary Government in Canada for some time, and it seems to me that there is a tendency on the part of all cabinets to arrogate to themselves supreme power, not merely with respect to the administration of affairs, but with respect to legislation in Canada. . . . I protest against approving, day after day and week after week, the idea that a Cabinet are not only the administrators of affairs of the country, but are practically the sole legislators in Canada.[2]

A striking example of the tendency of the Cabinet to center expenditures in its own hands occurred in 1913, when the Dominion Parliament was asked to vote a large appropriation to build additional vessels for the Canadian Navy. The Government proposed that this expenditure should be made in the following way:

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[1] Mr. Guthrie—Can. Hansard, 1912-13, p. 9319.
[2] Mr. Emerson—Can. Hansard, 1912-13, p. 12018.

> The proposal at this moment is to place $35,000,000, which is not to be expended within a single year, under the control of the Government in reality, nominally under the control of the Governor-in-Council, and this House has not an estimate, not a figure before it, upon which it is asked to vote the money. . . . The Government only proposes to give a detailed statement after the money is spent.[1]
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> The practice of the British Government is to lay down a programme for the building of vessels which would take in the ordinary course, from two or three years, to build, and the Government does not ask the British Parliament to vote the total amount of the cost of these vessels at once; it only asks for the amount which it is expected will be expended during the coming year. . . . The British Parliament is jealous of the expenditure of public moneys, and with regard to no department is it more jealous than with regard to the army and navy estimates, over which it retains the right of discussion every year, when a vote is asked.[2]

The logical sequence of the Dominion Government's standpoint was characterized as follows:

> If the argument of my right honorable friend means anything, it means that the money which is expended in this country can best be expended under the authority of the Governor-in-Council and not by responsible ministers. That, Sir, is going back in the history of Canada for seventy years. . . . We might just as well adopt the next five-years' expenditure for the

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[1] Mr. Guthrie—Can. Hansard, 1912-13, p. 9319.

[2] Mr. Pugsley—Can. Hansard, 1912-13, p. 9325.

Transcontinental railway or for the Quebec bridge and let the Governor-in-Council do the spending, and give Parliament a detailed statement after the money is spent.[1]

Provincial Subsidy System. Another desirable change which would further operate against laxity in state expenditures would be the discarding of the system of Dominion subsidies to the various Provinces. The insertion of a clause in the British North America Act requiring the Dominion government to pay annual subsidies to the Provinces embracing confederation marked a novel departure from the established rules usually followed in the drafting of a constitution for a proposed new commonwealth. Ordinarily, the accepted practice has been to require the local governments to contribute to the support of the central authority, should the latter find itself in financial difficulties, and to direct that any deficit in the national finances must be made good by contributions from the individual states composing the new entity. It was flying in the face of all precedent for the Canadians to adopt just the reverse policy and to require that their Dominion government should annually assist in lightening the financial burdens of the different Provinces.

As already explained, it was in order to overcome the opposition to confederation that the sponsors of the Dominion government idea felt constrained to abandon their original intention of placing the entire burden of financing local expenditures on the Provinces and to consent to a system of subsidies by the Dominion to the Provinces. When they agreed to this scheme, Canadian statesmen were governed solely by the question of expediency. Instead of preventing any further spread of the subsidy evil beyond the amount first fixed by keeping the door closed to all further importunities the line of least resistance has been followed and one demand after another of the Provinces has been acceded to. Roughly speaking, the annual subsidies now paid the nine Provinces by the Dominion amount to $11,500,000, which is nearly one-third of their ordinary yearly revenue. As already mentioned, the proportion varies from one-tenth in British Columbia to four-fifths of the total government income in Prince Edward Island. From the beginning of confederation and up to the close of the fiscal year 1916, the provincial subsidies have amounted to over $260,000,000.

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[1] Mr. Guthrie—Can. Hansard, 1912-13, p. 9320.

The bestowal by the Dominion of such large sums on the local governments is objectionable from the standpoint of correct budget procedure for several reasons. In the first place, the Dominion subsidies violate the sound constitutional and economic principle that the best way to check extravagance in public and private expenditures is to oblige those political units which spend funds of any description to furnish the proceeds with which to defray such outlays. Economy cannot be secured so long as those who spend money are not under the necessity of providing it. A good illustration of this is afforded by the Canadian practice of having the Provinces determine the number of judges in the higher courts whose salaries must then be paid out of the Dominion treasury.

When you find one body creating judgeships, whose occupants are to be paid, not by their creators, but by another body altogether, it is natural that the creating body not being checked by the consideration of the expense should be extremely liberal.[1]

The granting of large Dominion subsidies has also delayed the introduction of direct taxation in the Provinces, which would prove the best curb on extravagance as it would result in a more careful scrutiny of government expenditures.

> They (the people) say: "the more we can get out of the Government the better for us"—just as if the Dominion did not belong to them, and that it was not their money that was being spent. . . . The more money you give to the local Governments the longer you will prevent them from resorting to direct taxation, and only in that case will the people realize where the money comes from and where it goes.[2]

Furthermore, the knowledge that the Dominion will help them out in case of necessity has caused the Provinces to be improvident in many instances and to postpone facing the responsibilities which they were incurring for the future. Finally, the Canadian subsidy system has weakened the idea of self-help among the people and has retarded the growth of local self-government. For it is largely owing to the augmentation of their revenues by the Dominion subsidies that the Provincial government has come to carry on public services and to initiate improvements which ought to have been looked after by the individual localities and the money provided from local sources as in the United States. Hence, if the system of Dominion subsidies should be entirely discarded, one of the serious imperfections of present Canadian budget systems would be done away with. It is, however, recognized that there are constitutional and political considerations which may render impossible or inadvisable this change even though it be one that is condemned upon general grounds of financial administrative efficiency.

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[1] Mr. Blake—Quoted in Can. Hansard, 1896, 2nd Session, p. 2569.
[2] Mr. Foster—Can. Hansard, 1906-07, p. 5335.

APPENDICES

APPENDIX I

DEPARTMENT OF FINANCE AND TREASURY BOARD ACT

REVISED STATUTES OF 1906

CHAPTER 23

An Act respecting the Department of Finance and the Treasury Board

SHORT TITLE

1. This Act may be cited as the Department of Finance and Treasury Board Act.

DEPARTMENT OF FINANCE

2. There shall be a department of the Government of Canada, which shall be called the Department of Finance, over which the Minister of Finance and Receiver General for the time being, appointed by the Governor General by commission under the Great Seal of Canada, shall preside; and the said Minister shall hold office during pleasure and shall have the management and direction of the Department. R.S., c. 28, s. 2.

3. The Department of Finance shall have the supervision, control and direction of all matters relating to the financial affairs and public accounts, revenue and expenditure of Canada, which are not, or in so far as they are not, by law, or by order of the Governor in Council, assigned to any other department of the Government, and such other duties as are, from time to time, assigned to it by the Governor in Council. R.S., c. 28, s. 3.

4. The Governor in Council may appoint an officer who shall be called the Deputy Minister of Finance and Receiver General, and such officers, clerks and servants as are requisite for the proper conduct of the business of

the Department, all of whom shall hold office during pleasure. R.S., c. 28, s. 4.

5. The Deputy Minister of Finance shall, under the Minister of Finance, keep the accounts with the financial agents of Canada in England, and with the bank or banks receiving or paying public moneys, and the accounts of moneys paid for interest on Canadian stock, debentures or other Canadian securities. R.S., c. 28, s. 5.

6. The Deputy Minister of Finance shall classify all appropriations of public moneys and keep posted up a book to be called the appropriation book, containing an account, under separate and distinct heads, of every such appropriation, whether permanent or temporary, entering under each head the amounts drawn on account of such appropriation with the dates and names of the persons to whom payments are made; and shall, under the Minister of Finance, keep the public accounts of Canada. R.S., c. 28, s. 6.

7. All returns and statements required from savings banks, chartered or other banks, and all other institutions required to make financial statements or returns, shall, when no other provision is made in that behalf, be transmitted to the Deputy Minister of Finance. R.S., c. 28, s. 7.

8. All officers and clerks of and in the Department of Finance shall respectively have and perform such duties as are assigned to them by law or by the Governor in Council, or by the Minister of Finance, and such arrangements, distribution or union of the various duties, functions and business devolving on the several branches of the said Department, or such amalgamation thereof, may be made, as the Minister of Finance, with the approval of the Governor in Council, from time to time directs. R.S., c. 28, s. 8.

TREASURY BOARD

9. There shall be a board to be called the Treasury Board, consisting of the Minister of Finance and any

five of the ministers belonging to the King's Privy Council for Canada, to be nominated from time to time by the Governor in Council. R.S., c. 28, s. 9; 50-51 V., c. 13, s. 1.

10. The Treasury Board shall act as a committee of the King's Privy Council for Canada, on all matters relating to finance, revenue and expenditure, or public accounts, which are referred to it by the Council, or to which the Board thinks it necessary to call the attention of the Council, and shall have power to require from any public department, board, officer, or other person, bound by law to furnish the same to the Government, any account, return, statement, document, or information which the Board deems requisite for the due performance of its duties. R.S., c. 28, s. 9.

11. The Minister of Finance shall be the Chairman of the Treasury Board; and the Deputy Minister of Finance shall be *ex officio* the Secretary thereof, and through him the Board shall communicate with any public department, officer, or other person. R.S., c. 13, s. 10.

12. A plan of account books and accounts, adapted to the requirements of each department or branch of the public service, in order to exhibit in a convenient form the whole of the receipts and payments in respect of each vote, shall be designed under the superintendence of the Treasury Board; and the Governor in Council may, on report from the Treasury Board, prescribe, from time to time, the manner in which each department of the public service shall keep its accounts. R.S., c. 28, s. 11.

13. The Treasury Board may direct any officer or person employed in collecting, managing or accounting for any branch of the revenue, to keep any books or accounts which it deems advisable to direct to be kept for the purpose of obtaining and furnishing any statistical information concerning the trade or commerce of Canada, the public works thereof, or other matters of public interest. R.S., c. 28, s. 12.

APPENDIX 2

CONSOLIDATED REVENUE AND AUDIT ACT

REVISED STATUTES OF 1906

CHAPTER 24

An Act respecting the Public Revenue, the raising of Loans authorized by Parliament, and the auditing of the Public Accounts.

SHORT TITLE

1. This Act may be cited as the Consolidated Revenue and Audit Act. R.S., c. 29, s. 1.

INTERPRETATION

2. In this Act, unless the context otherwise requires,—

(*a*) 'public moneys,' 'public revenue' or 'revenue,' means and includes and applies to all revenue of the Dominion of Canada, and all branches thereof, and all moneys, whether arising from duties of Customs, excise or other duties, or from the post office, or from tolls for the use of any canal, railway or other public work, or from fines, penalties or forfeitures or from any rents or dues, or from any other source whatsoever, whether such moneys belong to Canada or are collected by officers of Canada for or on account of or in trust for any province forming part of Canada, or for the Government of the United Kingdom, or otherwise;

(*b*) 'certify' includes 'examine and certify if found correct';

(*c*) 'sub-accountant' means any officer or person receiving or expending public moneys and accounting for the same to or through any minister or officer of any public department;

(*d*) 'department,' when used in connection with the duty of preparing appropriation accounts, includes every public officer to whom the duties are assigned by the Treasury Board;

(*e*) 'accountant,' when used with reference to accounts, other than the appropriation accounts of the grants of Parliament, which the Auditor General is required by the Minister of Finance or the Treasury Board, under the authority of this Act, to examine and audit, means the department or officer that is required by the Minister of Finance to render the same. R.S., c. 29, ss. 2 and 51.

3. Any officer, functionary or person whose duty it is to receive any moneys forming part of the revenue, or who is entrusted with the custody or expenditure of any such moneys, although he is not regularly employed in collecting, managing or accounting for the same, shall be subject to the provisions of this Act, so far as regards the accounting for and paying over such moneys, whatever is the office or employment by virtue of which he receives, or is entrusted with the same. R.S., c. 29, s. 2.

CONSOLIDATED REVENUE FUND

4. All public moneys and revenue over which the Parliament of Canada now has the power of appropriation shall form one Consolidated Revenue Fund to be appropriated for the public service of Canada, in the manner and subject to the charges hereinafter mentioned, and in the following order, that is to say:—

First.—The costs, charges, and expenses incident to the collection, management and receipt thereof, subject to be reviewed and audited in such manner as is hereby or is hereafter by law provided;

Second.—The salary of the Governor General;

Third.—The balance remaining unpaid of the principal, and interest at a rate not exceeding four per centum per annum, of the loan of three million pounds sterling, authorized by the Act passed in the thirty-first year of Her late Majesty's reign, chapter thirteen, to be raised for the purpose of constructing the Intercolonial Railway, upon the guarantee, by the Commissioners of Her late Majesty's Treasury, of the payment of interest on such loan at a rate not exceeding four per centum per annum;

Fourth.—An annual sum, at the rate of one per centum per annum, as a sinking fund on the entire amount of principal money of the loan lastly hereinbefore mentioned;

Fifth.—The principal and interest of any loan guaranteed by the Treasury under the Act passed in the thirty-seventh year of Her late Majesty's reign, chapter two, and the Act of the Parliament of the United Kingdom known as *The Canada (Public Works) Loan Act, 1873*;

Sixth.—Such sums as are required to form a sinking fund at the rate of one per centum per annum on the entire amount of the loan guaranteed by the Treasury as lastly hereinbefore mentioned;

Seventh.—The yearly salaries of the judges of the Supreme Court of Canada and of the Exchequer Court of Canada. R.S., c. 29, s. 3.

5. The grants payable to the several provinces constituting the Dominion of Canada shall be charged upon the Consolidated Revenue Fund of Canada, and payable out of any unappropriated moneys forming part thereof. R.S., c. 29, s. 4.

PUBLIC DEBT AND THE RAISING OF LOANS AUTHORIZED BY PARLIAMENT

6. The Governor in Council may, from time to time,—

(*a*) make such regulations as he deems necessary for the management of the public debt of Canada and the payment of the interest thereon; and, (*b*) subject to the provisions of the two next following sections, provide for the creation and management of a sinking fund or other means of securing the repayment of any loans raised under the authority of Parliament; and,

(*c*) appoint one or more fiscal agents of Canada in the city of London, England, or elsewhere, and agree with them as to the rate of compensation to be allowed them for negotiating loans, and for paying the interest on the public debt, and for other services connected with the management of the said debt; and,

(*d*) pay the sums necessary to provide such sinking fund or other means as aforesaid, and such compensation, out of the Consolidated Revenue Fund. R.S., c. 29, s. 5.

7. Whenever, in any Act passed by the Parliament of Canada, authority is given to the Governor in Council to raise, by way of loan, any sum of money for the public service, or the security of Canada is authorized to be given for any sum of money deposited in any Government savings bank, or otherwise entrusted for safekeeping to the Government of Canada, then, unless there is some provision to the contrary in the Act by which such authority is given, or such security authorized, such sum shall, in the discretion of the Governor in Council, be raised or such security given in one of the following ways, or partly in one and partly in another or others thereof, that is to say:—

(*a*) By the issue and sale, or the delivery as such security, or debentures of Canada, which shall be in such form, for such separate sums, and at such rate of interest not exceeding six per centum per annum, and the principal and interest whereof shall be made payable at such periods and places, as the Governor in Council deems most expedient, and subject to such regulations as he sees fit to make;

and such principal and interest shall be chargeable on the Consolidated Revenue Fund;

(*b*) by the issue and sale or, the delivery as such security, of Canada Dominion stock bearing such rate of interest not exceeding six per centum per annum as is deemed most advisable, payable half yearly, the principal and interest whereof shall be chargeable on the Consolidated Revenue Fund; and such stock shall not be redeemable until the time fixed by the regulations hereinafter mentioned, but at and after that time shall be redeemable at the option of the Governor in Council on giving six months' notice of such redemption, and the stock shall be subject to such regulations as to the inscription, transfer, management and redemption thereof, as the Governor in Council sees fit to make;

(*c*) By the granting of terminable annuities chargeable on the Consolidated Revenue Fund, such annuities being granted on terms in accordance with the most approved English tables, and based on a rate of interest not exceeding six per centum per annum, and subject to such regulations as the Governor in Council sees fit to make;

(*d*) By the issue and sale, from time to time, of exchequer bills or exchequer bonds, in sums of not less than four hundred dollars, in such form, and bearing such rate of interest not exceeding six per centum per annum, and redeemable at such periods and places as the Governor in Council deems most advisable, and subject to such regulations as he sees fit to make. R.S., c. 29, s. 6.

8. Upon authorizing the issue of debentures of Canada or Canada Dominion stock under the last preceding section the Governor in Council may provide for a special sinking fund with respect to such issue, and may, at any time, provide for a general sinking fund for all such portions of the debentures or stock of Canada as have been or are hereafter issued without provision for a sinking

fund: Provided that the amount to be invested in any such sinking fund shall not exceed one-half of one per centum per annum on the amount of the debentures or stock to which it relates. R.S., c. 29, s. 6.

9. The Governor in Council may from time to time direct that the whole or any portion of the stock of the Dominion of Canada, heretofore issued or inscribed, or hereafter issued or inscribed, and forming the whole or part of the public debt of Canada, be inscribed and transferred in a register kept in the United Kingdom at such place and by such bank, colonial officer, or person as he from time to time appoints. 63-64 V., c. 11, s. 1.

10. The Governor in Council is hereby authorized to make any declaration and take any steps necessary to record such inscribed stock, or any portion thereof, under and in accordance with the provisions of the imperial Acts known as *The Colonial Stock Acts,* 1877 to 1900. 63-64 V., c. 11, s. 2.

11. The Minister of Finance may, out of the Consolidated Revenue Fund of Canada, pay, satisfy and discharge any judgment, decree, rule, or order of the court in England, which under the provisions of section twenty of *The Colonial Stock Act,* 1877, is to be complied with by the registrar of the inscribed stock of Canada in England. 63-64 V., c. 11, s. 3.

12. The Governor in Council may, from time to time, as the interests of the public service require, change the form of any part of the then existing funded debt of Canada, including any debentures for which Canada is liable, by substituting one class of the securities aforesaid for another or for such debentures, if neither the capital or the debt, nor the annual charge for interest is thereby increased: Provided that in any case in which four per centum Dominion stock or five per centum Dominion stock or debentures is or are substituted for securities bearing a higher rate of interest, the amount of the capital may be increased by an amount not exceeding the difference between the then present value of the

security bearing the higher interest and that of the four per centum stock or five per centum stock or debentures substituted for it.

2. No such substitution shall be made, unless the consent of the holder of the security for which another is substituted is obtained, or such security is previously purchased or redeemed by or on account of Canada.

3. Such substitution may be made by the sale of the one class of securities and the purchase of those for which it is desired to substitute them. R.S., c. 29, s. 7.

13. The Governor in Council may, from time to time, as the exigencies of the public service require, in the event of the Consolidated Revenue Fund being at any time insufficient to meet the charges placed thereon by law, direct the proper officer to raise, by temporary loans chargeable on the said fund, in such manner and form, in such amounts, for such periods not exceeding six months, at rates of interest not exceeding seven per centum per annum, as the Governor in Council directs, such sums as are necessary to enable the said fund to meet such charges.

2. The sums to be raised shall never exceed the amount of the deficiencies in the Consolidated Revenue Fund to meet the charges thereon, then due or payable either as principal or interest, and shall be applied to no other purpose whatsoever.

3. An account in detail of all such temporary loans shall be laid before the House of Commons within the first fifteen days of the session then next ensuing. R.S., c. 29, s. 8.

14. If, at the end of any month, by reason of the amount of deposits in the savings banks established under the Savings Bank Act, and the issue and sale of the five per centum Dominion stock and any other public securities the issue and sale of which is authorized by this Act, or by any of the said causes, the amount of the public debt authorized by Parliament is exceeded, the Minister of Finance shall report such excess to the

Treasury Board, and the Treasury Board shall thereupon direct him to purchase, to the extent of such excess, debentures of the Dominion of Canada already issued, and such debentures shall then be cancelled, or may be held in reserve until there is authority to reissue them. R.S., c. 121, s. 18.

15. The regulations made or to be made by the Governor in Council, as to the inscription, transfer, management and redemption of any Canada Dominion stock, debentures or other Canada securities hereinbefore mentioned, shall, in so far as they are not inconsistent with the Act under which they are made, have the same force and effect as if embodied and enacted in an Act of the Parliament of Canada. R.S., c. 29, s. 9.

16. No officer of the Government of Canada employed in the inscription, transfer, management or redemption of any such stock or securities, or in the payment of any dividend or interest thereon, shall be bound to see to the execution of any trust expressed or implied to which such stock or securities are subject, nor shall be liable in any way to any person for anything by him done as such officer, in accordance with any such regulation. R.S., c. 29, s. 9.

17. The Deputy Minister of Finance shall,—

(*a*) countersign all Canada debentures;

(*b*) keep a debenture book, which shall contain a record and description of all debentures outstanding or authorized to be issued, showing the date of issue, period of redemption, when they were cancelled, and times of payment of interest, and an interest account respecting them; and,

(*c*) keep a register of provincial notes or Dominion notes issued or cancelled.

2. The Auditor General and the Deputy Minister of Finance shall examine and cancel debentures, Dominion or provincial notes, and other securities representing the debt of Canada and which have been redeemed. R.S., c. 29, ss. 10 and 11.

18. Nothing in this Act shall be construed in altering or affecting the provisions of the Dominion Notes Act, or the debentures to be issued and held for securing the redemption of such notes, or in any way to authorize any increase of the public debt without the express authority of Parliament, except in the manner and to the extent hereinbefore provided in case of the substitution of four per centum Dominion stock or five per centum Dominion stock for other securities, and except also as to temporary loans raised in the manner and to the extent hereinbefore provided in the event of the Consolidated Revenue Fund being at any time insufficient to meet the charges placed thereon by law. R.S., c. 29, s. 12.

COLLECTION OF THE REVENUE

19. The Governor in Council may, from time to time, determine what officers or persons it is necessary to employ in collecting, managing or accounting for the revenue, and in carrying into effect the laws thereunto relating, or for preventing any violation of such laws; and may assign their names of office, and such salaries or pay for their labour and responsibility in the execution of the duties of their respective offices and employments, as to the Governor in Council seems reasonable and necessary, and may appoint the times and manner in which the same shall be paid: Provided that no such officer so appointed shall receive a higher annual salary than is allowed in his case by any Act of the Parliament of Canada then in force respecting the Civil Service generally; nor shall any such salary be paid until voted by Parliament. R.S., c. 29, s. 13.

20. The salary or pay allowed to any such officer or person as aforesaid shall be in lieu of all fees, allowances or emoluments of any kind whatsoever, except actual and authorized disbursements, shares or seizures, forfeitures and penalties.

2. No such officer or person, receiving a salary at or exceeding the rate of one thousand dollars per annum,

shall exercise any other calling, profession, trade or employment whatsoever, with a view to derive profit therefrom, directly or indirectly, or shall hold any other office of profit whatsoever, except, in either case, with express permission of the Governor in Council. R.S., c. 29, s. 14.

21. No officer or person regularly employed in the collection or management of the revenue, or in accounting for the same, shall, while he remains such officer or so employed, be compelled to serve in any other public office, or in any municipal or local office, or on any jury or inquest, or in the militia. R.S., c. 29, s. 15.

22. Every person appointed to any office or employment relative to the collection or management of the revenue, or to the accounting for the same, shall, upon his admission to such office or employment, take, before such officer as the Governor in Council appoints to receive the same, an oath in the form following, that is to say:—

'I, A. B., do swear to be true and faithful in the execution, to the best of my knowledge and power, of the trust committed to my charge, by my appointment as   , and that I will not require, take or receive any fee, perquisite, gratuity or reward, or emolument, whether pecuniary or of any other sort or description whatever, either directly or indirectly, for any service, act, duty, matter or thing done or performed, or to be done or performed, in the execution or discharge of any of the duties of my said office or employment, on any account whatsoever, other than my salary, or what shall be allowed me by law, or by order of the Governor in Council. So help me God.' R.S., c. 29, s. 16.

23. The Governor in Council may, from time to time,—

(*a*) make such divisions of Canada into ports, revenue districts or otherwise, as are required with regard to the collection or management of the revenue; and,

(*b*) assign the officers or persons by whom any duty or service relative to any such purpose shall be performed within or for any such district or division, and the places within the same where such duty or service shall be performed; and,

(*c*) make all such regulations concerning such officers and persons, and the conduct and management of the business to them entrusted, as are consistent with the law, and as he deems expedient for carrying it into effect, in the manner best adapted to promote the public good.

2. Any general regulation or order made by the Governor in Council for any purpose whatsoever for which an order or regulation may be so made under the provisions of this Act, shall apply to each particular case within the intent and meaning of such general regulation or order, as fully and effectually as if the same had been made with reference to such particular case, and the officers, functionaries or persons concerned had been specially named therein. R.S., c. 29, s. 17.

24. Every person employed on any duty or service relating to the collection or management of the revenue, by the order or with the concurrence of the Governor in Council, shall be deemed to be the proper officer for that duty or service; and every act, matter or thing required by any law in force to be done or performed by, to or with any particular officer nominated for that purpose in such law, which is done or performed by, to or with any person appointed or authorized by the Governor in Council to act for or on behalf of such particular officer, shall be deemed to be done or performed by, to or with such particular officer.

2. Every act, matter or thing required by any law, at any time in force, to be done or performed at any particular place within any division of Canada, made by the Governor in Council with regard to the collection or management of the revenue, which is done or performed at any place within such division, shall be deemed to be done or performed at the particular place so required by law. R.S., c. 29, s. 18.

25. Any officer or person employed in the collection, management or accounting for any branch of the revenue may be employed in the collection, management or accounting for any other branch thereof, whenever it is deemed advantageous for the public service so to employ him. R.S., c. 29, s. 19.

26. The Governor in Council may, from time to time,—

(*a*) appoint the hours of the general attendance of the officers and persons employed in the collection and management of the revenue, at their proper offices and places of employment; and,

(*b*) appoint the times during such hours, or the seasons of the year, at which any particular portions of the duties of such officers or other persons shall be performed by them respectively.

2. A notice of the hours of general attendance so appointed shall be kept constantly posted up in some conspicuous place in such offices and places of employment. R.S., c. 29, s. 20.

AUDITOR GENERAL AND HIS OFFICE

27. The Governor General may, for the more complete examination of the public accounts of Canada, and for the reporting thereon to the House of Commons, appoint an officer, under the Great Seal of Canada, to be called the Auditor General of Canada, and such officer may be paid out of the Consolidated Revenue Fund, a salary of four thousand dollars per annum.[1] R.S., c. 29, s. 21; 51 V., c. 7, s. 1.

28. The Auditor General shall hold office during good behavior, but shall be removable by the Governor General on address of the Senate and House of Commons. R.S., c. 29, s. 22.

29. The Auditor General shall be subject to the provisions of the Civil Service Superannuation and Retirement Act except as regards his tenure of office. 51 V., c. 7, s. 2.

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[1] Since 1908, $5,000.

30. The Governor in Council shall, from time to time, appoint the officers, clerks and other persons in the office of the Auditor General, and may regulate the numbers and salaries of the respective grades or classes into which the said officers, clerks and others shall be divided. R.S., c. 29, s. 23.

31. The Auditor General may, from time to time, make orders and rules for the conduct of the internal business of his office, and prescribe regulations and forms for the guidance of principal accountants and sub-accountants in making up and rendering their periodical accounts for examination: Provided that all such rules, regulations and forms shall be approved by the Treasury Board previously to the issue thereof. 54-55 V., c. 16, s. 1.

32. The Auditor General may suspend or remove any of the officers, clerks and others employed in his office. 54-55 V., c. 16, s. 1.

33. Subject to the provisions of the Civil Service Act with respect to promotions, the Auditor General may promote any of the officers, clerks or employees in his office, and shall have with respect to such promotions all the powers which under the Civil Service Act are vested in heads and deputy heads of departments, and he shall also have in respect of promotions to chief clerkships, grade A, the powers by the said Act vested in the Governor in Council: Provided that every promotion of an officer, clerk or employee in the said office shall be reported to the Governor in Council within fifteen days after it has been made. 54-55 V., c. 16, s. 1; 3 E. VII., c. 9, s. 8. Repealed July 20, 1908 and the following section substituted:

Subject to the provisions of *The Civil Service Act* with respect to promotions, the Auditor General may promote for merit any of the officers, clerks or employees in his office, and shall have, with respect to such promotion, all the powers which under *The Civil Service Amendment Act,* 1908, are vested in the Governor in Council acting upon the recommendation of the head of a department and the report of the deputy head in regard thereto; provided that every promotion of an officer, clerk or employee in the said office shall be reported to the Governor in Council within fifteen days after it has been made.

34. In any case in which the Auditor General deems it necessary to report for the information of the Governor in Council, such report shall be made through the Minister of Finance. 54-55 V., c. 16, s. 1.

PUBLIC MONEYS—HOW DEALT WITH

35. All public moneys, from whatever source of revenue derived, shall be paid to the credit of the account of the Minister of Finance and Receiver General through such officers, banks or persons, and in such manner as the said Minister, from time to time, directs and appoints.

2. All moneys received by any officer, clerk or employee of the Senate or House of Commons of Canada as fees or sums in any way payable in connection with any proceedings before Parliament, or any Bills presented to, or Acts passed by Parliament, or any copies of any such proceedings, Bills or Acts, shall forthwith be deposited by the accountant of either House to the credit of the aforesaid account in such bank as he from time to time designates; and the moneys so deposited shall form part of the Consolidated Revenue Fund of Canada.

3. Refunds, in whole or in part, of any moneys received and deposited as provided in the last preceding subsection, and payments in connection with the said proceedings, Bills or Acts, directed to be made by the Senate and the House of Commons, or made in accordance with the rules and standing orders of either House, shall be payable out of the Consolidated Revenue Fund of Canada. R.S., c. 29, s. 25; 56 V., c. 8, ss. 1 and 2.

36. The Treasury Board may, from time to time,—

(*a*) appoint the times and mode in which any officer or person employed in the collection or management of, or the accounting for any part of the revenue, shall account for and pay over the public moneys which come into his hands; and,

(*b*) determine the times and mode in which, and the officer by whom, any licenses on which any duty is payable are to be issued:

Provided that such accounts and payments shall be rendered and made by such officers and persons respectively at least once every month. R.S., c. 29, s. 26; 51 V., c. 7, s. 3.

37. The Minister of Customs, the Minister of Inland Revenue, the Postmaster General and all other ministers, and all deputy ministers, officers, clerks or persons charged with the receipt of public moneys, shall cause the gross revenues of their several departments or offices to be paid at such times and under such regulations as the Minister of Finance, from time to time, prescribes, to an account to be called the account of the Minister of Finance and Receiver General, at such bank or banks as are determined by the Minister of Finance, and daily accounts of such moneys so deposited shall be rendered to the Auditor General in such form as the Treasury Board prescribes. R.S., c. 29, s. 27.

38. Every officer of the Customs or of the Inland Revenue, and every officer otherwise employed in the collection of the revenue, rceiving money for the Crown, shall deposit the same to the credit of the account of the Minister of Finance and Receiver General, from time to time, in such bank as the said Minister appoints: Provided that where such money is received at a place where there is no bank into which it can conveniently be paid, the same shall be paid over in such manner as the Minister of Finance directs; and accounts of such money shall be rendered to the Auditor General in such form as the Treasury Board prescribes.

2. Every such officer shall keep his cash book written up daily.

3. All the books, accounts and papers of such officer shall, at all times during office hours, be open to the inspection and examination of any officer or person whom the Minister of Finance authorizes to inspect or examine the same.

4. Daily accounts of the moneys so deposited shall be rendered to the Auditor General in such form as the Treasury Board prescribes. R.S., c. 29, s. 28.

EXPENDITURE OF MONEY GRANTED BY PARLIAMENT

39. When any sum of money has been granted to His Majesty by Parliament to defray expenses for any specified public service, the Governor General may, from time to time, under his sign manual, countersigned by a member of the Treasury Board, authorize and require the Minister of Finance to issue out of the moneys in his hands, appropriated for defraying the expenses of such service, the sums required, from time to time, to defray such expenses, not exceeding the amount of the sum so voted or granted. R.S., c. 29, s. 29.

40. When any sum of money has been granted to His Majesty by Parliament, to defray expenses for any specified public service, and as soon as the Governor General has issued his warrant authorizing the payment of such sum or sums as are required to defray such expenses, the Minister of Finance may, from time to time, on the application of the Auditor General, cause credits to be issued in favour of the deputy heads, officers, clerks or other persons connected with the several departments or services charged with expenditure of the moneys so authorized.

2. Such credits shall issue on the several banks authorized to receive public moneys.

3. Statements in duplicate of moneys drawn for under such credits, together with the cheques paid by the banks in connection therewith, shall be rendered under such forms, and once in each month or more often, at such times as the Treasury Board directs, and one duplicate of such statement, together with the cheques,

shall be rendered to the Auditor General, and the other duplicate to the Minister of Finance.

4. The Auditor General, being satisfied of the correctness of the statement, may request the Minister of Finance to cause cheques to be prepared to reimburse the banks for advances under such credits to cover the expenditures made or authorized.

5. Such cheques shall be signed by the Minister of Finance and countersigned by the Auditor General, or signed and countersigned by their respective deputies or officers thereunto duly authorized.

6. No such credit shall issue in favour of any officer or other person in excess of any appropriation authorized by Act of Parliament. R.S., c. 29, s. 30.

41. The Auditor General shall see that no cheque issues for the payment of any public money for which there is no direct parliament appropriation, or in excess of any portion of such appropriation, the expenditure of which has been authorized by the Governor in Council.

2. The Auditor General shall report to the Treasury Board, through the Minister of Finance, any case in which a sub-accountant has expended money out of the proceeds of any accountable credit, for any purpose for which there is no legislative authority, or beyond the amount for which there is such authority, or for any other appropriation or purpose not connected with such credit. 51 V., c. 7, s. 4.

42. No cheque for public money shall issue except upon the certificate of the Auditor General that there is parliamentary authority for the expenditure, save only in the following cases:—

(*a*) If, upon any application for a cheque, the Auditor General has reported that there is no parliamentary authority for issuing it, then upon the written opinion of the Minister of Justice that there is such authority, citing it, the Treasury Board may authorize the Deputy Minister of Finance to prepare the cheque, irrespective of the Auditor General's report;

(b) If, when Parliament is not in session, any accident happens to any public work or building which requires an immediate outlay for the repair thereof, or any other occasion arises when any expenditure, not foreseen or provided for by Parliament, is urgently and immediately required for the public good, then upon the report of the Minister of Finance that there is no parliamentary provision, and of the minister having charge of the service in question that the necessity is urgent, the Governor in Council may order a special warrant to be prepared, to be signed by the Governor General for the issue of the amount estimated to be required, which shall be placed by the Minister of Finance to a special account, against which cheques may issue from time to time, in the usual form, as they are required. R.S., c. 29, s. 32; 51 V., c. 7, s. 5.

43. If the Auditor General has refused to certify that a cheque of the Minister of Finance may issue, on the ground that the money is not justly due, or that it is in excess of the authority granted by Council, or for any reason other than that there is no parliamentary authority, then upon a report of the case prepared by the Auditor General and the Deputy Minister of Finance, the Treasury Board shall be the judge of the sufficiency of the Auditor General's objection, and may sustain him or order the issue of the cheque in its discretion. R.S., c. 29, s. 32.

44. The Auditor General shall, in all cases mentioned in the two sections last preceding, prepare a statement of all such legal opinions, reports of council, special warrants and cheques issued without his certificate, and of all expenditures incurred in consequence thereof, which he shall deliver to the Minister of Finance, who shall present the same to Parliament not later than the third day of the session thereof then next ensuing. R.S., c. 29, s. 32.

45. No payment shall be authorized by the Auditor General in respect of work performed, or material supplied by any person in connection with any part of the public service of Canada, unless, in addition to any other voucher or certificate which is required in that behalf, the officer, under whose special charge such part of the public service is, certifies that such work has been performed, or such materials supplied, as the case may be, and that the price charged is according to contract, or if not covered by a contract, is fair and just. R.S., c. 29, s. 33.

ACCOUNTS AND AUDIT OF ACCOUNTS

46. The public accounts of Canada shall be kept by double entry in the office of the Ministry of Finance.

2. An annual statement shall be prepared as soon as possible after the termination of each fiscal year exhibiting,—

(*a*) the state of the public debt and the amount chargeable against each of the public works for which any part of the debt has been contracted;

(*b*) the state of the Consolidated Revenue Fund and the various trusts and special funds under the management of the Government of Canada;

(c) such other accounts and matters as are required to show what the liabilities and assets of Canada really are at the date of such statement. R.S., c. 29, s. 34.

47. The capital represented by deposits in the savings banks in Nova Scotia and New Brunswick, in deposit accounts as to which there have been no deposits or withdrawals since the first day of July, one thousand eight hundred and sixty-seven, shall not be charged against those provinces respectively as part of the debt with which they entered the Union, but all such accounts shall be transferred to a suspense ledger, and if any deposit or withdrawal is made in any such account, it shall be removed from the suspense ledger, and the capital represented by such account, and the interest accrued

since the first day of July, one thousand eight hundred and sixty-seven, shall be charged against Nova Scotia or New Brunswick, as the case may be. R.S., c. 121, s. 21.

48. The Minister of Finance shall cause an account to be prepared and transmitted to the Auditor General on or before the thirtieth day of June in every year, showing the issues made from the Consolidated Revenue Fund in the fiscal year ended on the thirty-first day of March preceding, for services directly under his control.

2. Such accounts and the reports of the Auditor General thereon shall be laid before the House of Commons by the Minister of Finance on or before the thirty-first day of October next, following, if Parliament is then sitting, or if not sitting then within one week after Parliament is next assembled. 51 V., c. 7, s. 6; 6. E. VII., c. 12, ss. 1 and 3.

49. The Deputy Minister of Finance shall prepare and submit to the Minister of Finance the public accounts to be annually laid before Parliament. R.S., c. 29, s. 36; 51 V., c. 7, s. 7.

50. The public accounts shall include the period from the first day of April in one year to the thirty-first day of March in the next year, which period shall constitute the fiscal year; all estimates submitted to Parliament shall be for the services coming in course of payment during the fiscal year; and all balances of appropriation which remain unexpended at the end of the fiscal year shall lapse and be written off: Provided that upon cause being shown to the satisfaction of the Governor in Council, he may, by order in council to be made before the first day of May in each year, extend the time for finally closing the account of any appropriation, for a period of not more than three months from the end of the fiscal year, after the expiration of which extended time, and not before, the balance of such appropriation shall lapse and be written off. 6 E. VII., c. 12, s. 2.

51. On or before the thirtieth day of June in every year, accounts of the appropriation of the several supply

grants comprised in the Appropriation Act, or in any other Act, for the year ending thirty-first March then last, shall be prepared by the several departments and be transmitted for examination to the Auditor General and to the Deputy Minister of Finance, and, when certified and reported upon, as hereinafter directed, they shall be laid before the House of Commons; and such accounts shall be called the appropriation accounts of the moneys expended for the services to which they respectively relate.

2. Each of such accounts shall be examined under the direction of the Auditor General, by such officer or clerk in his office as he directs; and such officer or clerk shall certify to the due examination of such account, and the Auditor General shall certify that the account has been examined under his direction and is correct. 51 V., c. 7, s. 8; 6 E. VII., c. 12, ss. 1 and 3.

52. The department charged with the expenditure of any vote under the authority of the Governor in Council, shall prepare the appropriation account thereof. 51 V., c. 7, s. 8.

53. The department charged with the duty of preparing the appropriation account of a grant shall transmit to the Auditor General, together with the annual appropriation account of such grant, a balance sheet so prepared as to show the debit and credit balances in the ledger of such department on the day when the said appropriation account was closed, and also so prepared as to verify the balances appearing upon the annual appropriation account.

2. Any balances outstanding in the hands of any person or persons unexpended or unaccounted for at such period shall be accounted for and settled as soon thereafter as is practicable, but not later than the termination of the next succeeding fiscal year. 51 V., c. 7, s. 8.

54. The Treasury Board may alter the time at or to which any accountant for public moneys, public officer, corporation or institution, is required to render any ac-

count or to make any return, whenever in its opinion such alteration will facilitate the correct preparation of the public accounts or estimates for the fiscal year. R.S., c. 29, s. 41.

55. The deputy heads of the several departments or the officers, clerks or other persons charged with the expenditure of public moneys, shall respectively audit the details of the accounts of the several services in the first instance, and be responsible for the correctness of such audit. R.S., c. 29, s. 42.

56. Every appropriation account, when rendered to the Auditor General, shall be accompanied by an explanation showing how the balances on the grants included in the previous account have been adjusted, and shall also contain an explanatory statement of any excess of expenditure over the grants included in such account; and such statement, as well as the appropriation account, shall be signed by the deputy head and the accountant, or such other duly authorized officer of such department as the Treasury Board determines. 51 V., c. 7, s. 9.

57. Every appropriation account shall be examined by the Auditor General on behalf of the House of Commons.

2. In the examination of such accounts, the Auditor General shall ascertain, first, whether the payments which the accounting department has charged to the grant are supported by the vouchers required by this Act and by proofs of payment; and, secondly, whether the money expended has been applied to the purposes for which such grant was intended to provide: Provided that whenever it appears to the Minister of Finance, that the expenditure included, or to be included, in any appropriation account, or any portion of such expenditure, calls for further examination, he may instruct the Auditor General to further examine such expenditure and to report to the Minister of Finance thereon; and if the Minister of Finance does not, thereupon, see fit to sanction such expenditure, it shall be regarded as being not

properly chargeable to a parliamentary grant, and shall be reported to the House of Commons, in the manner hereinafter provided. 51 V., c. 7, s. 9.

58. The Auditor General shall, in order that such examinations may, as far as possible, proceed *pari passu* with the cash transactions of the several accounting departments, have free access, at all convenient times, to the books of account and other documents relating to the accounts of such departments, and may require the several departments concerned to furnish him, from time to time, or at regular periods, with accounts of the cash transactions of such departments respectively up to such times or periods. R.S., c. 29, s. 45.

59. In conducting the examination of the vouchers relating to the appropriation of the grants for the several services sanctioned by the Appropriation Act of the year, or by any Act of Parliament, the Auditor General shall test the accuracy of the additions and computations of the several items of such vouchers.

2. If the Auditor General is satisfied that the accounts bear evidence that the vouchers have been completely checked, examined and certified as correct in every respect, and that they have been allowed, and passed by the proper departmental officers, he may admit the same as satisfactory evidence of payment in support of the charges to which they relate: Provided that, if the Minister of Finance desires any such vouchers to be examined by the Auditor General in greater detail, the Auditor General shall cause such vouchers to be subjected to such further examination in detail as the Minister of Finance thinks fit to prescribe. R.S., c. 29, s. 46.

60. If, during the process of the examination by the Auditor General hereinbefore directed, any objection arises to any item to be introduced into the appropriation account of any grant, such objection shall, notwithstanding such account has not been rendered to him, be immediately communicated to the department concerned;

and, if the objection is not answered to his satisfaction by such department, it shall be referred by him to the Treasury Board, and the Treasury Board shall determine in what manner the items in question shall be entered in the annual appropriation account. R.S., c. 29, s. 47.

61. In reporting as hereinbefore directed for the information of the House of Commons, the result of the examination of the appropriation accounts, the Auditor General shall call attention to every case in which,—

(*a*) cheques have been issued without his certificate; or,

(*b*) a grant has been exceeded; or,

(*c*) money received by a department from other sources than the grants for the year to which the account relates has not been applied or accounted for according to the direction of Parliament; or,

(*d*) in which a sum charged against a grant is not supported by proof of payment; or,

(*e*) a payment so charged did not occur within the period of the account, or was, for any other reason, not properly chargeable against the grant, or was, in any way, irregular. 51 V., c. 7, s. 10.

62. If the Minister of Finance does not, within the time prescribed by this Act, present to the House of Commons any report made by the Auditor General on the appropriation accounts, or on any other accounts, the Auditor General shall forthwith present such report. R.S., c. 29, s. 49.

63. Besides the appropriation accounts of the grants of Parliament, the Auditor General shall examine and audit, if required so to do by the Minister of Finance, and in accordance with any regulations which are prescribed for his guidance in that behalf by the Treasury Board,—

(*a*) the accounts of all receipts of revenues forming the Consolidated Revenue Fund of Canada;

(*b*) the accounts current with the several banks and financial agents of Canada;

(*c*) the accounts relating to the issue or redemption of loans;

(*d*) the accounts with the several Indian tribes known as the Indian Fund;

(*e*) the accounts with the several provinces forming the Dominion of Canada;

(*f*) the accounts with the Government of the United Kingdom; and,

(*g*) any other public accounts which, though not relating directly to the receipts or expenditure of the Dominion of Canada, the Treasury Board directs him to examine and audit. R.S., c. 29, s. 50.

64. Such accounts shall be rendered to the Auditor General by the departments or officers directed so to do by the Minister of Finance. R.S., c. 29, s. 51.

65. Every public officer into whose hands public moneys, either in the nature of revenue or fees of office, are paid by persons bound by law or regulation so to do, or by subordinate or other officers whose duty it is to pay such moneys, wholly, or in part, into the Account of the Minister of Finance and Receiver General, or to apply the same to any public service, shall, at such times and in such form as the Treasury Board determines, render an account of his receipts and payments to the Auditor General.

2. The Clerk of the King's Privy Council for Canada shall inform the Auditor General of the appointment of every such officer. R.S., c. 29, s. 51.

66. The Auditor General shall examine the several accounts transmitted to him with as little delay as possible, and when the examination of each account is completed he shall make a statement thereof in such form as he deems fit, and if it appears from the statement so made up of any account, being an account current, that the balance thereon agrees with the accountant's balance, or if it appears from any account rendered by an ac-

countant, as well as from the statement of such account by the Auditor General, that the accountant is 'even and quit,' the Auditor General shall sign and pass such statement of account so made up by him as aforesaid.

2. In all other cases the Auditor General after having made up the statement of account as hereinbefore directed, shall transmit the same to the Minister of Finance, who, having considered such statement, shall return it, with his certificate attached thereto, to the Auditor General, directing him to sign and pass the account, either conformably to the statement thereof, or with such alterations as he deems just and reasonable; and a statement of the account made up by the Auditor General in accordance with such certificate from the Minister of Finance, shall then be signed and passed by the Auditor General.

3. A list of all accounts which the Auditor General has signed and passed, which list shall be so prepared as to show thereon the charge, discharge and balance of each accountant respectively, shall be submitted by him to the Treasury Board twice in every year, that is to say, not later than the first week of February, and the first week of August. R.S., c. 29, s. 52.

67. As soon as any account has been signed and passed by the Auditor General, he shall transmit to the accountant a certificate, in which the total amounts of the sums forming, respectively, the charge and discharge of such account, and the balance, if any, remaining due to or by such accountant shall be set forth; and every such certificate shall be signed by him and shall be valid and effectual to discharge the accountant. as the case may be, either wholly or from so much of the amount with which he was chargeable, as he appears by such certificate to be discharged from: Provided that when any account, not being an account current, has been signed and passed by the Auditor General with a balance due thereon to the Crown, he shall not make out or grant any such certificate as aforesaid until the accountant

satisfies him, either that he has discharged the full amount of such balance, and any interest which is, as hereinafter provided, payable thereon, or that he has been relieved from the payment thereof, or of so much therof as has not been paid, by an order in council passed on a report from the Treasury Board. R.S., c. 29, s. 53.

68. Whenever the Auditor General is required by the Minister of Finance to examine and audit the accounts of the receipt, expenditure, sale, transfer or delivery of any securities, stamps, Canadian or other Government stock or annuities, provisions or stores, the property of His Majesty, he shall, after the examination of such accounts has been completed, transmit a statement thereof, or a report thereon to the Minister of Finance, who shall, if he thinks fit, signify his approval of such accounts.

2. The Auditor General, on receipt of such approval shall transmit to the accountant a certificate in a form to be, from time to time, determined by the Auditor General, which shall be to such accountant a valid and effectual discharge from so much as he thereby appears to be discharged from. R.S., c. 29, s. 54.

69. Whenever an accountant is dissatisfied with any disallowance or charge in his accounts made by the Auditor General, such accountant may appeal to the Treasury Board, which, after such further investigations as it considers equitable, whether by *viva voce* examination or otherwise, may make such order, directing the relief of the appellant, wholly or in part, from the disallowance or charge in question, as appears to it to be just and reasonable; and the Auditor General shall govern himself accordingly. R.S., c. 29, s. 76.

70. Every accountant, on the termination of his charge as such accountant, or, in the case of a deceased accountant, his representatives, shall, forthwith, pay over any balance of public money then due to the Crown in respect of such charge, to the public officer authorized to receive the same.

2. Whenever it appears to the Auditor General that

balances of public money have been improperly and unnecessarily retained by an accountant, he shall report the circumstances of such cases to the Minister of Finance, who shall take such measures as to him seem expedient for the recovery, by legal process or by other lawful ways and means, of the amount of such balance or balances, together with interest upon the whole or upon such part of such balance or balances, for such period of time and at such rate as to the Minister of Finance appears just and reasonable. R.S., c. 29, s. 59.

INQUIRIES BY THE AUDITOR GENERAL

71. The Auditor General may examine any person on oath or affirmation on any matter pertinent to any account submitted to him for audit; and such oath or affirmation may be administered by him to any person whom he desires to examine. R.S., c. 29, s. 55.

72. The Auditor General may apply to any judge of the Exchequer Court of Canada, or to any judge of a superior court of any province of Canada, for an order that a subpœna be issued from the court, commanding any person therein named to appear before him at the time and place mentioned in such subpœna, and then and there to testify to all matters within his knowledge relative to any account submitted to him, and, if so required, to bring with him and produce any document, paper or thing which he has in his possession relative to any such account as aforesaid; and such subpœna shall issue accordingly upon the order of such judge.

2. Any such witness may be summoned from any part of Canada whether within or without the ordinary jurisdiction of the court issuing the subpœna.

3. Reasonable travelling expenses shall be tendered to any witness so subpœnaed at the time of such service. R.S., c. 29, s. 56.

73. If, by reason of the distance at which any person, whose evidence is required by the Auditor General, resides from the seat of government, or for any other

cause, the Auditor General deems it advisable, he may issue a commission, under his hand and seal, to any officer or person therein named, empowering him to take such evidence, and report the same to him.

2. Such officer or person, being first sworn before some justice of the peace faithfully to execute the duty entrusted to him by such commission, shall, with regard to such evidence, have the same powers as the Auditor General would have had if such evidence had been taken before him, and may, in like manner, apply to and obtain from any judge of any of the courts aforesaid, a subpœna for the purpose of compelling the attendance of any person, or the production of any document, paper or thing before him; and such subpœna shall issue accordingly on the order of such judge; or such subpœna may issue on the application of the Auditor General to compel such attendance, or the production of any document, paper or thing before such commissioner. R.S., c. 29, s. 57.

74. Every person summoned, in the manner hereinbefore provided, to attend before the Auditor General or any commissioner appointed as aforesaid, who fails, without valid excuse, to attend accordingly, or, being commanded to produce any document, paper or thing in his possession, fails to produce the same, or refuses to be sworn or to answer any lawful and pertinent question put to him by the Auditor General or by such commissioner, shall, for each such failure or refusal, forfeit the sum of one hundred dollars to the Crown, for the public uses of Canada, to be recovered in any manner in which debts due to the Crown are recoverable; and such person may likewise be dealt with by the court out of which the subpœna issued, as a person who has refused to obey the process of such court, and who is guilty of a contempt thereof. R.S., c. 29, s. 58.

LIABILITY CIVILLY

75. Every officer or person who refuses or neglects to transmit any account, statement or return, with the

proper vouchers, to the officer or department to whom he is lawfully required to transmit the same, on or before the day appointed for the transmission thereof, shall, for such refusal or neglect, forfeit and pay to the Crown, for the uses of Canada, the sum of one hundred dollars, recoverable with costs, as a debt due to the Crown, and in any court and in any way in which debts to the Crown are recoverable.

2. In any action for the recovery of such sum, it shall be sufficient to prove, that such account, statement or return ought to have been transmitted by the defendant, as alleged on the part of the Crown; and the burden of proof that the same was so transmitted shall rest upon the defendant. R.S., c. 29, s. 60.

76. Whenever the Minister of Finance has reason to believe that any officer or person has received money for the Crown, or for which he is accountable to the Crown, or has in his hands any public money applicable to any purpose, and has not paid over or duly applied and accounted for the same, he may direct a notice to such officer or person, or to his representatives in case of his death, requiring him or them, within a time from the service of such notice, to be therein named, to pay over, or apply and account for such money to the Minister of Finance or to the officer mentioned in the notice, and to transmit to him the proper vouchers that he or they have so done. R.S., c. 29, s. 61.

77. If any officer or person fails to pay over, apply or account for any such money, and to transmit such vouchers as aforesaid within the time limited by the notice served on him, the Minister of Finance shall state an account as between such officer or person and the Crown in the matter to which the notice relates, charging interest from the service thereof, and shall deliver a copy thereof to the Attorney General of Canada.

2. Such copy shall be sufficient evidence to support any information or other proceedings for the recovery of the amount therein shown to be in the hands of the

defendant, as a debt due to the Crown, saving to the defendant the right to plead and give in evidence all such matters as are legal and proper for his defence.

3. The defendant shall be liable for the costs of such information or proceeding, whatever the judgment therein is, unless,—

(*a*) he proves that, before the time limited in such notice, he paid over or applied and duly accounted for the money therein mentioned, and transmitted the proper vouchers with such account; or,

(*b*) he is sued for such money in a representative character, and is not personally liable therefor, or to render such account. R.S., c. 29, s. 62.

78. Whenever any such officer or person as aforesaid has transmitted an account, either before or after notice as aforesaid, but without vouchers or with insufficient vouchers, for any sum for which he therein takes credit, the Minister of Finance may direct a notice to such officer or person, requiring him to transmit such vouchers or sufficient vouchers, as are stated in the notice, within such time after the service of the notice as the Minister of Finance deems fit; and if such vouchers are not transmitted within that time, the Minister of Finance may state an account against such officer or person, disregarding the sums for which he has taken credit, but for which he has transmitted no vouchers or insufficient vouchers, and may deliver a copy of such account to the Attorney General of Canada.

2. Such copy shall be sufficient evidence to support an information or other proceeding for the recovery of the amount therein shown to be in the hands of the defendant, saving to the defendant the right to plead and give in evidence all such matters as are legal and proper for his defence.

3. Such defendant shall be liable for the costs of the information or proceeding, whatever the judgment therein is, unless the vouchers by him transmitted within the time limited by the notice served on him, or before

such service, are found of themselves sufficient for his defence, and for his discharge from all sums demanded of him. R.S., c. 29, s. 63.

79. If, at any time, it clearly appears by the books or accounts kept by or in the office of any officer or person employed in the collection or management of the revenue, or in accounting for the same, or by his written acknowledgement or confession, that such officer or person has, by virtue of his office or employment, received moneys belonging to His Majesty and amounting to a sum certain, which he has refused or neglected to pay over, in the manner and at the time lawfully appointed, to the officer duly appointed to receive the same, a justice or judge of any court having jurisdiction in civil matters to the amount of the sums so ascertained as aforesaid, shall, upon affidavit of the facts made before him by any officer cognizant thereof and thereunto authorized by the Governor in Council, cause to be issued against and for the seizure and sale of the goods, chattels and lands of the officer or person so in default as aforesaid, such writ or writs as might have issued out of such court, if the bond given by him had been put in suit, and judgment had been thereupon obtained in favour of His Majesty, for a like sum, and any delay by law allowed between judgment and execution had expired.

2. Such writ or writs shall be executed by the sheriff or other proper officer; and such sum as aforesaid shall be levied under them with costs, and all further proceedings shall be had, as if such judgment as aforesaid had been actually obtained. R.S., c. 29, s. 64.

80. Whenever any estate belonging to a public accountant is sold under any writ of extent or any decree or order of any court of record, and the purchaser thereof, or of any part thereof, has paid his purchase money into the hands of any public accountant authorized to receive the same, such purchaser shall be wholly exonerated and discharged from all further claims of His Majesty, for or in respect of any debt arising upon

the account of such accountant, although the purchase money so paid is not sufficient in amount to discharge the whole of such debt. R.S., c. 29, s. 65.

81. If any officer or person has received public money for the purpose of applying it to any specific purpose, and has not so applied it within the time or in the manner provided by law, or if any person having held any public office and having ceased to hold the same, has in his hands any public money received by him as such officer for the purpose of being applied to any specific purpose to which he has not so applied it, such officer or person shall be deemed to have received such money for the Crown for the public uses of Canada, and may be notified by the Treasury Board to pay such sum back to the Minister of Finance; and the same may be recovered from him as a debt due to the Crown, in any manner in which debts due to the Crown are recoverable, and an equal sum may, in the meantime, be applied to the purpose to which such sum ought to have been applied. R.S., c. 29, s. 66.

82. If, by reason of any malfeasance, or of any gross carelessness or neglect of duty, by any officer or person employed in the collection or management of the revenue or in collecting or receiving any moneys belonging to the Crown, for the public uses of Canada, any sum of money is lost to the Crown, such officer or person shall be accountable for such sum as if he had collected and received the same, and it may be recovered from him on proof of such malfeasance, gross carelessness or neglect, in like manner as if he had so collected and received it. R.S., c. 29, s. 67.

83. Nothing in this Act shall weaken or impair any remedy which the Crown has for recovering or enforcing the payment or delivering of any money or property belonging to the Crown, for the public uses of Canada, and in the possession of any officer or person whomsoever, by virtue of any other Act of law. R.S., c. 29, s. 68.

OFFENCES AND PENALTIES

84. Every officer, or person acting in any office or employment, connected with the collection or management of the revenue who,—

(*a*) receives any compensation or reward for the performance of any official duty, except as by law prescribed; or,

(*b*) conspires or colludes with any other person to defraud the Crown, or makes opportunity for any person to defraud the Crown; or,

(*c*) designedly permits any violation of the law by any other person; or,

(*d*) wilfully makes or signs any false entry in any book, or wilfully makes or signs any false certificate or return in any case, in which it is his duty to make an entry, certificate or return; or,

(*e*) having knowledge or information of the violation of any revenue law by any person, or of fraud committed by any person against the Crown, under any revenue law of Canada, fails to report in writing, such knowledge or information to his next superior officer; or,

(f) demands or accepts or attempts to collect, directly or indirectly as payment or gift or otherwise, any sum of money, or other thing of value, for the compromise, adjustment or settlement of any charge or complaint for any violation or alleged violation of law, except as expressly authorized to do by law, or by the authority of the department of which he is an officer;

shall be dismissed from office, and is guilty of an indictable offence, and shall, on conviction, be liable to a fine not exceeding five hundred dollars, and to imprisonment for any term not exceeding one year. R.S., c. 29, s. 69.

85. (*a*) Every person who directly or indirectly, promises, offers or gives, or causes or procures to be

promised, offered or given any money, goods, chose in action, bribe, present or reward, or any promise, contract, undertaking, obligation or security for the payment or delivery of any money, goods, chose in action, bribe, present or reward, or any other valuable thing whatsoever, to any officer, or any person acting in any office or employment connected with the collection or management of the revenue, with intent,—

(i) to influence his decision or action on any question or matter which is then pending, or may, by law, be brought before him in his official capacity; or,

(ii) to influence such officer or person to commit, or aid or abet in committing any fraud on the revenue, or to connive at, collude in, or allow or permit any opportunity for the commission of any such fraud; and,

(*b*) Every officer or person who in any wise accepts or receives any such moneys, goods, chose in action, bribe, present, or reward, or any promise, contract, undertaking, obligation or security for the payment or delivery thereof, or any other valuable thing whatever, or any part of the same respectively;

is guilty of an indictable offence, and liable, on conviction, to a fine not exceeding three times the amount so offered or accepted, and to imprisonment for any term not exceeding one year.

2. Every officer or person who holds any office or place under the Crown, and is convicted under this section, shall forfeit his office or place; and every person who is convicted under this section shall be for ever disqualified to hold any office of trust, honour or profit under the Crown. R.S., c. 29, s. 70.

86. Every officer and every person acting in any office or employment connected with the collection of the revenue who is or becomes, directly or indirectly, in-

terested in the manufacture or production of any article subject to excise, or who trades in any article subject to excise duties, shall incur a penalty not exceeding five hundred dollars and not less than fifty dollars, which shall be recoverable in any court of competent jurisdiction. R.S., c. 29, s. 71.

87. Nothing herein contained shall prevent, lessen, or impair any remedy which His Majesty or any other person has against any person offending against this Act, or his sureties, or against any other person whomsoever; but nevertheless the conviction of any such offender shall not be received in evidence in any suit, or action at law or in equity, against him. R.S., c. 29, s. 72.

BOOKS, PAPERS, ETC.

88. All books, papers, accounts and documents of what kind soever, and by whom and at whose cost soever the paper and materials thereof have been procured or furnished, kept or used by, or received or taken into the possession of any officer or person employed or having been employed in the collection or management of the revenue or in accounting for the same, by virtue of his employment as such, shall be deemed to be chattels belonging to His Majesty; and all moneys or valuable securities received or taken into the possession of any such officer or person by virtue of his employment shall be deemed to be moneys and valuable securities belonging to His Majesty. R.S., c. 29, s. 73.

OATHS AND DECLARATIONS

89. Whenever proof on oath or by affirmation or declaration is required by any law relating to the collection or management of the revenue or the accounting for the same, or is necessary for the satisfaction or consideration of the Governor in Council, and no officer or person is specially named before whom such proof is to be made, such proof may be made before any collector or chief officer of the Customs for the port or place where the same is required, or before any person acting for any

such collector or chief officer, or before such other officer or person as is appointed by the Governor in Council in that behalf, who shall administer such oath or affirmation or receive such declaration.

2. In any case or class of cases where an oath is required by this Act, or by any law in force, in any matter relating to the collection or management of the revenue or the accounting for the same, the Governor in Council may authorize the substitution for such oath, of a solemn affirmation or of a declaration, which shall then avail to all intents and purposes as such oath would have done. R.S., c. 29, s. 74.

90. Upon all examinations and inquiries made by any officer or person under order of the Governor in Council for ascertaining the truth as to any fact, relative to any matter concerning the collection or management of the revenue or the accounting for the same, or the conduct of officers or persons employed therein, and upon like examinations and inquiries made by the collector of Customs, or by the chief officer employed in the collection and management of the revenue, in or at any port, district or place, any person to be examined as a witness shall deliver his testimony on oath; and such oath shall be administered to him by the officer or person making the examination or inquiry. R.S., c. 29, s. 75.

HOLIDAYS

91. No day shall be kept as a public holiday by the officers and persons employed in the collection and management of the revenue, except Christmas day, New Year's day and Good Friday in every year, any day appointed by proclamation of the Governor General for the purpose of a general fast, or of a general thanksgiving, such days as are appointed for the celebration of the birthday of His Majesty and His Royal successors, and any other statutory holiday, and such other days as are, from time to time, appointed as holidays by the Governor in Council. R.S., c. 29, s. 77.

REMISSION OF DUTIES AND FORFEITURES

92. The Governor in Council, whenever he deems it right and conducive to the public good, may remit any duty or toll payable to His Majesty, imposed or authorized to be imposed by any Act of the Parliament of Canada, or by any Act or Ordinance of the legislature of the late province of Canada, or of any of the provinces of Nova Scotia, New Brunswick, British Columbia or Prince Edward Island, in force in Canada, and relating to any matter within the scope of the powers of the Parliament thereof, or any forfeiture or pecuniary penalty imposed or authorized to be imposed by any Act or Ordinance for any contravention of the laws relating to the collection of the revenue, or to the management of any public work producing toll or revenue, although any part of such forfeiture or penalty is given by law to the informer or prosecutor, or to any other person: Provided that no duties of Customs or excise, paid to His Majesty on any goods, shall be remitted or refunded on account of such goods having, after the payment of such duties, been lost or destroyed by fire or other unavoidable accident.

2. Such remission may be total or partial, conditional or unconditional, and may be granted either before or after, or pending any suit or proceeding for the recovery of any duty, toll, penalty or forfeiture, and either before or after any payment thereof has been made or enforced by process or execution; and such remission may be exercised by forbearance from instituting any suit or proceeding for the recovery of any duty, toll, penalty or forfeiture, or, if the same has been already instituted, then by the delay, stay or discontinuance of any such suit or proceeding, or by the forbearance to enforce, or by the stay or abandonment of any execution or process upon any judgment, or by the entry of satisfaction upon any judgment, or by the refund of any sum of money paid to the Minister of Finance for such duty, toll,

penalty or forfeiture, or whereof payment has been enforced by any execution or process upon any judgment as aforesaid.

3. If the remission is conditional, the condition, if accepted by the person to whom the remission is accorded, shall be lawful and valid, and the performance thereof, or the remission only, if unconditional, shall have the same effect as if the remission had been made after the duty, toll, penalty or forfeiture had been sued for and recovered; and if the condition is not performed, it may be enforced, or all proceedings may be had as if there had been no remission.

4. No remission shall be made in any case unless such case has been considered, and the remission, whether total or partial, conditional or unconditional, has been recommended by the Treasury Board, and sanctioned and ordered by the Governor in Council.

5. A detailed statement of all remissions and refunds of any tolls or duties shall be annually submitted to both Houses of Parliament, within the first fifteen days of the session thereof next following the close of the last preceding financial year. R.S., c. 29, s. 78.

93. If the Governor in Council directs that the whole or any part of any penalty imposed by law relating to the revenue be remitted or returned to the offender, such remission or return shall have the effect of a pardon for the offence for which the penalty is incurred, which shall thereafter have no legal effect prejudicial to the person to whom such remission is granted. R.S., c. 29, s. 79.

PROCEDURE

94. The Attorney General of Canada may sue for and recover in His Majesty's name any penalty, or enforce any forfeiture imposed by any law relating to the revenue, before any court or other judicial authority before which such penalty or forfeiture is recoverable or enforceable under such law, or may direct the discontinuance of any suit in respect of any such penalty or

forfeiture by whom or in whose name soever the same has been brought.

2. The whole of the penalty or forfeiture when recovered or enforced, shall belong to His Majesty for the public uses of Canada: Provided that the Governor in Council may, if he sees fit, allow any portion thereof to the seizing officer or other person by whose information or aid the penalty or forfeiture has been recovered or enforced. R.S., c. 29, s. 80.

95. Every action and prosecution against any officer or person acting in any office or employment connected with the collection of the revenue for any thing purporting to be done in pursuance of any Act relating to the collection of the revenue, shall, unless otherwise provided, be laid and tried in the district, county or other judicial division where the act was committed, and not elsewhere, and shall not be commenced except within six months next after the act committed.

2. Notice in writing of such action and of the cause thereof shall be given to the defendant one month at least before the commencement of the action.

3. In any such action the defendant may plead the general issue, and give the provisions of this section and the special matter in evidence at the trial.

4. No plaintiff shall recover in any such action if tender of sufficient amends is made before action brought, or if a sufficient sum of money is paid into court by or on behalf of the defendant after action brought.

5. If such action is commenced after the time hereby limited for bringing it, or is brought or the venue is laid in any other place than as aforesaid, a verdict shall be found or judgment shall be given for the defendant; and thereupon, or if the plaintiff becomes non-suit, or discontinues any such action after issue joined, or if upon demurrer or otherwise judgment is given against the plaintiff, the defendant shall recover his full costs as be-

tween solicitor and client, and shall have the like remedy therefor as any defendant has by law in other cases.

6. Although a verdict or judgment is given for the plaintiff in any such action, the plaintiff shall not be entitled to more than twenty cents damage, and shall not have costs against the defendant, if the judge before whom the trial is had certifies that the defendant had probable cause.

7. If, on any information or suit on account of any seizure made by any such officer or person, judgment is given for the claimant, and the court or judge certifies that there was probable cause for the seizure, the claimant shall not be entitled to costs, and the person who made the seizure shall not be liable to any indictment, prosecution or suit on account thereof.

8. Nothing herein shall prevent the effect of any Act for the protection of officers from vexatious actions for things purporting to be done in the performance of their duty. 57-58 V., c. 19, s. 1.

APPENDIX 3

THE APPROPRIATION ACT, NO. 1, 1917

ACTS 7-8 GEORGE V.

CHAPTER 1

An Act for granting to His Majesty certain sums of money for the public service of the financial years ending respectively the 31st March, 1917, and the 31st March, 1918.

[*Assented to 7th February, 1917.*]

MOST GRACIOUS SOVEREIGN,

WHEREAS it appears by messages from His Excellency the Most Noble Victor Christian William, Duke of Devonshire, etc., etc., Governor General of Canada, and the estimates accompanying the said messages, that the sums hereinafter mentioned are required to defray certain expenses of the public service of Canada, not otherwise provided for, for the financial years ending respectively the thirty-first day of March, one thousand nine hundred and seventeen, and the thirty-first day of March, one thousand nine hundred and eighteen, and for other purposes connected with the public service: May it therefore please Your Majesty that it may be enacted and be it enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, that:—

1. This Act may be cited as *The Appropriation Act, No. 1, 1917*.

2. From and out of the Consolidated Revenue Fund there may be paid and applied a sum not exceeding in the whole thirty-two million, one hundred and ninety-five thousand, four hundred and forty-one dollars and seventeen cents towards defraying the several charges and ex-

penses of the public service, from the first day of April, one thousand nine hundred and seventeen, to the thirty-first day of March, one thousand nine hundred and eighteen, not otherwise provided for, and being one-fourth of each of the several items set forth in Schedule A to this Act.

3. From and out of the Consolidated Revenue Fund there may be paid and applied a sum not exceeding in the whole nine million, one hundred and twenty-seven thousand, seven hundred and seventy-seven dollars and forty-two cents towards defraying the several charges and expenses of the public service, from the first day of April, one thousand nine hundred and sixteen, to the thirty-first day of March, one thousand nine hundred and seventeen, not otherwise provided for, and set forth in Schedule B to this Act.

4. The amounts granted by *The Appropriation Act, 1915*, for the financial year ended the thirty-first day of March, one thousand nine hundred and fifteen, and the amounts granted by *The Appropriation Act, (No. 2), 1916*, for the financial year ended the thirty-first day of March, one thousand nine hundred and sixteen, and the amounts granted by this Act for the financial year ending the thirty-first day of March, one thousand nine hundred and seventeen, for seed grain and relief other than seed grain, to settlers in the provinces of Alberta, British Columbia, Manitoba and Saskatchewan, shall not be deemed to have lapsed if not expended within the financial year for which they are granted, but may be expended in the financial year ending the thirty-first day of March, one thousand nine hundred and eighteen.

5. A detailed account of the sums expended under the authority of this Act shall be laid before the House of Commons of Canada during the first fifteen days of the then next session of Parliament.

SCHEDULE A.

(Based on the Main Estimates, 1917-18. *One-fourth of each amount in this Schedule is voted.)*

SUMS granted to His Majesty by this Act for the financial year ending 31st March, 1918, and the purposes for which they are granted.

No. of Vote	SERVICE	Amount	Total
	CHARGES OF MANAGEMENT	$ cts.	$ cts.
1	Offices of the Assistant Receivers General and Country Savings Banks—		
	Salaries	66,850 00	
	Contingencies	6,000 00	
	Printing Dominion Notes	300,000 00	
	Printing, advertising, inspection, express charges, etc.	42,000 00	
	Commission for payment of interest on public debt, purchase of sinking funds	80,000 00	
	Brokerage on purchase of sinking funds	5,600 00	
	English Bill stamps, postage, etc.	20,000 00	
	Removal of foreign and uncurrent coin from circulation	15,000 00	
			535,450 00
	CIVIL GOVERNMENT		
2	Governor General's Secretary' Office—		
	Salaries	26,250 00	
	Contingencies, including allowance of $600 to Private Secretary	66,600 00	
3	Privy Council Office—		
	Salaries	49,412 50	
	Contingencies	10,000 00	
4	Administration of Justice—		
	Salaries, including J. P. Bill, at $4,000, and Miss G. Avery, promoted to Second Division, Subdivision B, at $1,200	154,437 50	
	Contingencies	21,000 00	
5	Department of Militia and Defense—		
	Salaries, including H. M. Garrison at $1,850	187,700 00	
	Contingencies	19,500 00	
6	Department of the Secretary of State—		
	Salaries, including P. T. Kirwan, promoted to First Division, Subdivision B; J. F. Champagne, promoted to Second Division, Subdivision A; M. J. Birdwhistle, promoted to Second Division, Subdivision B at $1,200	76,737 50	
	Contingencies	16,000 00	
7	Department of Public Printing and Stationery—		
	Salaries	65,762 50	
	Contingencies	10,300 00	
8	Department of the Interior—		
	Salaries	1,191,255 00	
	Contingencies	115,000 00	
9	Department of Indian Affairs—		
	Salaries	126,862 50	
	Contingencies	21,550 00	
10	Royal Northwest Mounted Police—		
	Salaries	21,712 50	
	Contingencies	1,700 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	CIVIL GOVERNMENT—*Continued*	$ cts.	$ cts.
11	Office of the Auditor General—		
	Salaries, including Assistant Auditor General at $4,500	143,850 00	
	Contingencies	16,500 00	
12	Department of Finance and Treasury Board—		
	Salaries, including Assistant Deputy Minister at $4,500; Comptroller of Dominion Currency at $4,500; Accountant of Contingencies at $3,000; Commissioner of Taxation at $5,000; Assistant Commissioner of Taxation at $3,500	151,512 50	
	Contingencies	30,000 00	
13	Department of Customs—		
	Salaries	328,100 00	
	Contingencies	25,000 00	
14	Department of Inland Revenue—		
	Salaries	180,412 50	
	Contingencies	22,000 00	
15	Department of Agriculture—		
	Salaries	490,675 00	
	Contingencies	100,000 00	
16	Department of Marine and Fisheries—		
	Salaries, including A. R. Tibbits, transferred from the outside service at $2,800	270,950 00	
	Contingencies	32,000 00	
17	Department of Naval Service—		
	Salaries	188,950 00	
	Contingencies	50,000 00	
18	Department of Railways and Canals—		
	Salaries, including Assistant to Minister at $4,500; F. M. Maclennan at $1,800; R. H. Lang at $1,800	182,987 50	
	Contingencies	28,000 00	
19	Department of Public Works—		
	Salaries	590,250 00	
	Contingencies	85,000 00	
20	Department of Mines—		
	Salaries	381,985 00	
	Contingencies	5,500 00	
21	Post Office Department—		
	Salaries	842,820 00	
	Contingencies	125,000 00	
22	Department of Trade and Commerce—		
	Salaries	133,700 00	
	Contingencies	15,000 00	
23	Department of Labour—		
	Salaries	54,137 50	
	Contingencies	15,000 00	
24	High Commissioner's Office, London—		
	Salaries	21,650 00	
	Contingencies	58,151 00	
25	Departments Generally—		
	Contingencies—Care and cleaning of Departmental Buildings, including amount of $100 to E. Snowdon for firing noon gun	275,000 00	
26	General Consulting Engineer to Dominion Government—		
	Salaries	7,600 00	
	Contingencies	150 00	
27	Department of Insurance—		
	Salaries	30,737 50	
	Contingencies	26,000 00	
28	Department of External Affairs—		
	Salaries	34,512 50	
	Contingencies	15,500 00	
29	Office of the Conservation Commission—		
	Salaries	37,650 00	
30	Department of Public Archives—		
	Salaries	53,425 00	
	Contingencies	7,500 00	
31	Civil Service Commission—		
	Salaries	33,075 00	
	Contingencies	15,500 00	
			7 224 561 00

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	ADMINISTRATION OF JUSTICE	$ cts.	$ cts.
32	Miscellaneous expenditures	10,000 00	
	Living allowance for Judge of Atlin District, B. C.	1,200 00	
	Supreme Court of Canada		
33	Contingencies and disbursements, salaries of officers (Sheriffs, etc.), books, magazines, etc., for Judges, not exceeding $300	7,500 00	
	Law books and books of reference for Library and binding of same	8,000 00	
	Exchequer Court of Canada		
34	Contingencies—Judges' travelling expenses, remuneration to Sheriffs, etc., printing, stationery, etc., and $150 for Judges' books	6,000 00	
	Printing, binding and distributing Exchequer Court reports	1,500 00	
	Miscellaneous expenses, Exchequer Court in Admiralty	500 00	
	Salary of Marshall in Admiralty, Quebec	333 34	
	To Chas. Morse, for furnishing reports of Exchequer Court decisions to legal periodicals	50 00	
	Yukon Territory		
35	Travelling allowance of Judge	500 00	
	Living allowance of Judge	5,000 00	
	Salaries Territorial Court, Sheriff and clerk, $4,000 each; two stenographers, $2,000 each	12,000 00	
	Living allowance of Court officers and Police Magistrate	8,600 00	
	Fees and expenses of witnesses, jurors and interpreters in criminal trials	5,000 00	
	Maintenance of prisoners	10,000 00	
	Transport of prisoners	4,000 00	
	Miscellaneous expenditure	8,000 00	
			88,183 34
	DOMINION POLICE		
36	Amount required		128,765 00
	PENITENTIARIES		
37	Kingston	213,000 00	
	St. Vincent de Paul	203,100 00	
	Dorchester	108,800 00	
	Manitoba	99,800 00	
	British Columbia	146,300 00	
	Alberta	99,300 00	
	Saskatchewan	102,500 00	
	General	6,000 00	
			978,800 00
	LEGISLATION		
	SENATE		
38	Salaries and contingent expenses	112,166 50	
	HOUSE OF COMMONS		
39	Salary of the Deputy Speaker	2,000 00	
	Salaries	203,500 00	
	Expenses of Committees, Sessional and extra Clerks, etc.	58,700 00	
	Contingencies	52,050 00	
	Publishing Debates	60,000 00	
	Estimates of the Sergeant-at-Arms	73,162 50	
	LIBRARY OF PARLIAMENT		
40	Salaries, including N. Aubry at $900	33,650 00	
	Books for the General Library, including binding	18,00 00	
	Books for the Library of American History	1,000 00	
	Contingencies	12,800 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	LEGISLATION—*Concluded*	$ cts.	$ cts.
	GENERAL		
41	Printing, printing paper and binding	300,000 00	
	Printing, binding and distributing the annual statutes	16,000 00	
	Contingent expenses in connection with the Voters' Lists	10,600 00	
	Contingencies of the Clerk of the Crown in Chancery, including the employment of temporary help	5,000 00	
	Provincial Voters' Lists	15,000 00	
			973,629 00
	ARTS AND AGRICULTURE		
42	Patent Record	30,000 00	
43	Experimental Farms—Maintenance of Central Farm, and establishment and maintaining of additional branch Stations	850,000 00	
44	Branch of Entomology	20,000 00	
45	For the administration and enforcement of the *Destructive Insect and Pest Act*	85,000 00	
46	For the development of the dairying industries, and the improvement in transportation, sale and trade in food and other agricultural products	155,000 00	
47	Fruit Branch	105,000 00	
48	Towards the encouragement of cold storage warehouses for the better preservation and handling of perishable food products	50,000 00	
49	Exhibitions	50,000 00	
50	For renewing and improving Canadian exhibit at Imperial Institute, London, and assisting in the maintenance thereof	5,000 00	
51	Health of Animals	517,000 00	
52	Dominion Cattle, Quarantine buildings—Repairs, renewals, etc	10,000 00	
53	For the administration and enforcement of the *Meat and Canned Foods Act*	325,000 00	
54	Publications Branch	30,000 00	
55	International Institute of Agriculture to assist in maintenance thereof and to provide for representation thereat	15,000 00	
56	For the development of the Live Stock Industry	700,000 00	
57	To enforce the Seed Act, to test seeds for farmers and seed merchants, to encourage the production and use of superior seeds, and to encourage the production of farm and garden crops	150,000 00	
58	For the administration and carrying out of the provisions of *The Agricultural Instruction Act*	25,000 00	
			3,122,000 00
	QUARANTINE		
60	Salaries and contingencies of organized districts and public health in other districts	225,000 00	
61	Tracadie and D'Arcy Island Lazaretto, and leprosy generally	11,000 00	
62	Public Works Health Act	12,000 00	
	IMMIGRATION		
63	Salaries of Agents and employees in Canada, Great Britain and foreign countries	580,000 00	
64	Contingencies in Canadian, British and foreign Agencies and general immigration expenses	600,000 00	
65	Relief of distressed Canadians in countries other than the United States	6,000 00	
	Administration of Chinese Immigration—		
66	Salaries	24,000 00	
67	Contingencies	5,000 00	
			1,215,000 00
	PENSIONS		
68	Mrs. Wm. McDougall	1,200 00	
69	Pensions on account of the Fenian Raid, 1866-1870	1,600 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	PENSIONS—*Concluded*	$ cts.	$ cts.
70	Pensions payable to militiamen, and on active service as follows: Northwest Rebellion, 1885..............$ 14,000 00 General.............................. 30,000 00	44,000 00	
71	Pensions payable to Mounted Police, Prince Albert Volunteers and Police Scouts on account of the Rebellion of 1885..	1,290 28	
	Pensions to families of members of the force who lost their lives while on duty:—		
72	Margaret Johnson Brooke........................	456 25	
73	*Annie Eva Emily* and Arthur Stewart Mountford Brooke	54 75	
74	Mrs. Elizabeth Willmett.........................	54 75	
75	Mrs. Elizabeth Fitzgerald........................	525 00	
76	Pension to J. B. Allan................................	450 00	
77	Pension to Mrs. Mary E. Fuller......................	600 00	
78	Pension to Madame Fabre..........................	1,000 00	
79	Pensions—European War...........................	8,000,000 00	
80	Salaries and Contingent expenses of the Board of Pension Commissioners for Canada......................	375,000 00	8,426,231 03
	MILITIA AND DEFENCE		
81	Allowances, Active Militia Corps......................	80,000 00	
82	Cadet Services..	75,000 00	
83	Contingencies..	60,000 00	
84	Customs Dues..	25,000 00	
85	Departmental Library......................................	1,000 00	
86	Engineer Services and Works........................	565,500 00	
87	Grants to Associations and Bands..................	50,000 00	
88	Headquarters and District Staff......................	205,500 00	
89	Maintenance Military Properties......................	180,000 00	
90	Permanent Force..	2,300,000 00	
91	Printing and Stationery.................................	70,000 00	
92	Royal Military College...................................	185,000 00	
93	Salaries and Wages..	250,000 00	
94	Schools of Instruction.....................................	150,000 00	
95	Survey..	40,000 00	
96	Transport and Freight.....................................	50,000 00	
97	Training Areas and Lands for military purposes.........	200,000 00	4,487,000 00
	RAILWAYS AND CANALS		
	(*Chargeable to Capital*)		
	Canadian Government Railways		
98	Construction and betterments............................	6,500 000 00	
	Dartmouth to Deans Branch Line......................	65,000 00	
	To provide car ferry—Construction terminals, etc.......	310,000 00	
	Hudson Bay Railway		
99	Construction of railway, terminals and elevator..........	3,000,000 00	
	National Transcontinental Railway		
100	To pay claims for right-of-way, etc....................	500,000 00	
	Quebec Bridge		
101	Construction...	1,600,000 00	
	Welland Ship Canal		
102	Construction...	200,000 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	RAILWAYS AND CANALS—*Concluded.*	$ cts.	$ cts.
	(*Chargeable to Capital*)—Concluded		
	CANALS—CAPITAL		
	Trent Canal		
103	Construction	600,000 00	12,775,000 00
	RAILWAYS AND CANALS		
	(*Chargeable to Income*)		
	CANALS		
	Chambly		
104	Spare lock gates	1,700 00	
	St. Anne's Lock		
105	Lockmaster's house	1,500 00	
	St. Peters		
106	Improvements	45,000 00	
	Soulanges		
107	Piers and breakwater	1,000 00	
	Trent		
108	Improvements	25,000 00	
	Welland		
109	Heavy repairs	30,000 00	
	MISCELLANEOUS		
110	Arbitrations and awards	2,000 00	
	Board of Railway Commissioners for Canada—Maintenance and operation of, including $800 for Clyde Leavitt as chief fire inspector	175,800 00	
	Board of Railway Commissioners for Canada—To pay expenses in connection with cases before the	15,000 00	
	Contribution of the Government Railways to the faculty of McGill University towards the foundation of a school of railway engineering and transportation in general, in connection with the faculty of Applied Science	2,500 00	
	Contribution of the Government Railways to the faculty of the Polytechnic School, Montreal, for the advancement of learning in connection with railway engineering and transportation in general	2,500 00	
	Costs of litigation	3,000 00	
	Governor General's Cars—Attendance, repairs and alterations to	5,000 00	
	Miscellaneous works not provided for	2,500 00	
	Surveys and Inspections—Canals	25,000 00	
	Surveys and Inspections—Railways	40,000 00	
	To pay expenses in connection with consolidation of Railway act	2,000 00	
	To provide for inquiry and report on the railway situation of Canada	120,000 00	
	To provide for a continuous audit on behalf of the Government of Canada, of the revenues and expenditures of the Canadian Northern Railway and Grand Trunk Railway Systems	10,000 00	509,500 00

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	PUBLIC WORKS	$ cts.	$ cts.
	(Chargeable to Capital)		
	PUBLIC BUILDINGS		
111	Ottawa Parliament building—Restoration—The plans for the said building and the method to be adopted for securing the reconstruction thereof to be subject to the approval of the Joint Committee appointed by the Prime Minister and the Leader of the Opposition....	2,000,000 00	
	HARBOURS AND RIVERS		
112	St. John Harbour—Improvements....................	1,000,000 00	
	Quebec Harbour—Dry Dock at Lauzon................	1,000,000 00	
	Quebec Harbour—River St. Charles—Improvements to navigation..	700,000 00	
	Toronto Harbour—Improvements....................	1,000,000 00	
	Port Arthur and Fort William—Harbour and river improvements..	750,000 00	
	Victoria Harbour—Improvements....................	1,000,000 00	
			7,450,000 00
	PUBLIC WORKS		
	(Chargeable to Income)		
	PUBLIC BUILDINGS		
	Nova Scotia		
113	Halifax—Customs House—Improvements...............	3,000 00	
	Halifax—Dominion buildings—Improvements, repairs etc.	5,000 00	
	Stellarton—Public building (Revote of $4,000 lapsed)—Including cost of site with interest at 5 per cent thereon.	5,500 00	
	Sydney public building—Improvements................	2,000 00	
	New Brunswick		
114	St. John—Dominion buildings—Improvements, repairs, etc..	5,000 00	
	St. John—New post office..........................	5,000 00	
	Maritime Provinces Generally		
115	Dominion public buildings—Improvements, repairs, etc..	25,000 00	
	Quebec		
116	Dominion public buildings—Improvements, repairs, etc.	35,000 00	
	Grosse Ile Quarantine Station—Improvements and repairs to buildings and fittings, furniture................	15,000 00	
	Montreal General Post Office—Remodelling old building..	20,000 00	
	Montreal—Postal Station "A"........................	20,000 00	
	Montreal Dominion buildings—Improvements, repairs, etc	30,000 00	
	Quebec Post Office—Enlargement and alterations........	80,000 00	
	Roberval—Public building, drain, etc.................	2,000 00	
	Three Rivers—New public building....................	95,000 00	
	Ontario		
117	Cardinal—Public building............................	4,000 00	
	Cayuga—Public building—Heating and plumbing improvements...	3,500 00	
	Cornwall public building—Improvements...............	3,000 00	
	Dominion public buildings—Improvements, repairs, etc..	35,000 00	
	Hamilton Post Office—Electric wiring and fixtures, etc...	3,100 00	
	Kingston, R.M.C.—Covered drill hall..................	8,000 00	
	Ottawa departmental buildings—Fittings, etc...........	75,000 00	
	Ottawa Customs building............................	25,000 00	
	Ottawa Departmental buildings—Rewiring, etc..........	10,000 00	
	Ottawa Departmental buildings—Renewing metal covering on Mackenzie wing of West Block...............	2,500 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	PUBLIC WORKS—*Continued*	$ cts.	$ cts.
	(*Chargeable to Income*)—Continued		
	PUBLIC BUILDINGS—*Concluded*		
	Ontario—Concluded.		
117	Ottawa Departmental buildings—Building and macerating plant for Currency Branch of Finance Department..	22,000 00	
	Ottawa Public buildings—Fire escapes................	12,000 00	
	Ottawa Royal Mint—Repairs and improvements........	5,000 00	
	Palmerston—Public building.........................	10,000 00	
	St. Catharines public building—Repairs to roof, etc......	3,000 00	
	Sydenham—Public building...........................	7,000 00	
	Toronto—Postal Station "A".........................	500,000 00	
	Toronto Dominion buildings—Improvements, repairs, etc.	12,000 00	
	Manitoba		
118	Dominion public buildings—Improvements, repairs, etc..	18,000 00	
	Winnipeg Dominion buildings—Improvements, repairs, etc	20,000 00	
	Winnipeg immigration buildings—Improvements........	3,000 00	
	Winnipeg—New immigration building..................	40,000 00	
	Saskatchewan		
119	Dominion public buildings—Improvements, repairs, etc..	15,000 00	
	Sutherland—Water supply for Forest Nursery Station....	8,000 00	
	Alberta		
120	Calgary—Drill hall..................................	250,000 00	
	Calgary—Dominion buildings—Improvements,repairs,etc.	3,000 00	
	Dominion public buildings—Improvements, repairs, etc..	15,000 00	
	British Columbia		
121	Ashcroft—Public Building............................	10,000 00	
	Dominion public buildings—Improvements, repairs, etc..	17,000 00	
	New Westminster—Public building—Paving roadway....	1,000 00	
	Vancouver—Dominion buildings—Improvements, repairs, etc....................................	7,000 00	
	William's Head Quarantine Station—Repairs to existing buildings, fittings, etc..........................	10,000 00	
	Generally		
122	Experimental Farms—New buildings and improvements, renewals and repairs, etc., in connection with existing buildings, fences, etc............................	150,000 00	
	Flags for Dominion public buildings..................	5,000 00	
	Dominion public buildings—Fire escapes..............	10,000 00	
	Dominion public buildings—Generally..................	30,000 00	
	Rents, Repairs, Furniture, Heating, etc.		
123	Ottawa public buildings:—		
	Astronomical Observatory—Maintenance, care of grounds, etc.......................................	5,000 00	
	Elevator attendants..................................	45,000 00	
	Gas and electric light, including roads and bridges.....	60,000 00	
	Heating, including salaries of engineers, firemen and watchmen......................................	180,000 00	
	Repairs, furniture, grounds, snow and street maintenance, etc.......................................	450,000 00	
	Rideau Hall (including grounds) improvements, furniture, maintenance, etc........................	65,000 00	
	Rideau Hall—Allowance for fuel and light...........	17,000 00	
	Telephone service....................................	47,000 00	
	Dominion Public Buildings:—		
	Dominion Immigration Buildings—Repairs, furniture, etc...	25,000 00	
	Dominion Quarantine Stations—Maintenance.........	4,000 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	PUBLIC WORKS—*Continued*	$ cts.	$ cts.
	(*Chargeable to Income*)—Continued		
	PUBLIC BUILDINGS—*Continued*		
	Rents, Repairs, Furniture, Heating, etc.—Concluded.		
123	Fittings, and general supplies and furniture	160,000 00	
	Heating	240,000 00	
	Lighting	200,000 00	
	Power for running elevators, stamp cancelling machines, etc	38,000 00	
	Rents	700,000 00	
	Salaries of caretakers, engineers, firemen, etc	550,000 00	
	Supplies for caretakers, etc	30,000 00	
	Water	50,000 00	
	Yukon Public Buildings—Rents, repairs, fuel, light, water service and caretakers' salaries	63,000 00	
	HARBOURS AND RIVERS		
	Nova Scotia		
124	Amherst Point—Repairs to wharf	700 00	
	Anderson's Cove—Repairs to breakwater	500 00	
	Annapolis Royal—Repairs to pier	2,000 00	
	Burlington—Repairs to wharf	950 00	
	Canning—Repairs to wharf	2,500 00	
	Cape St. Mary—Repairs to breakwater	3,000 00	
	Chipman Brook—To repair breakwater	1,000 00	
	Church Point—Repairs to wharf and breakwater	4,000 00	
	Culloden—To repair breakwater and remove rock	4,000 00	
	Devil's Island—Repairs to breakwater	1,300 00	
	Digby Pier—Renewals	2,500 00	
	Eagle Head—Repairs to breakwater	1,650 00	
	East River—Improvements	140,000 00	
	Fox Island—Repairs to breakwater approach	500 00	
	Harbours and rivers generally—Repairs and improvements	60,000 00	
	Little Brook—Repairs to breakwater	1,500 00	
	Little Harbour—Reconstruction of wharf	800 00	
	Margaree—Repairs to breakwater	900 00	
	Margaretville—Repairs to breakwater	3,000 00	
	McKay's Point (Judique)—Repairs to breakwater	600 00	
	McNair's Cove—Repairs to breakwater	900 00	
	Meteghan River—Repairs and improvements to breakwater	1,500 00	
	Necum Teuch—Repairs to wharf	2,000 00	
	North River (St. Anne's)—Repairs to wharf	600 00	
	North Sydney—Repairs to ballast wharf	2,300 00	
	Parrsboro—Repairs to wharf	2,000 00	
	Port George—Repairs to breakwater	2,000 00	
	Port Hilford—Repairs to breakwater	1,800 00	
	Round Hill—Repairs to wharf	1,500 00	
	Sandy Cove—Repairs to breakwater	2,200 00	
	Saulnierville—Breakwater improvements and repairs	3,000 00	
	Scott's Bay—Repairs to breakwater	1,300 00	
	Shubenacadie River—To pay the Dominion Atlantic Railway Co. for the enlargement of draw span on railway bridge and construction of warping piers	23,000 00	
	Tiverton—Repairs to breakwater	1,600 00	
	Trout Cove—Removal of rock and gravel and repairs to new breakwater	3,000 00	
	West Arichat—Repairs to wharf	700 00	
	Yarmouth Harbour—Repairs and improvements	4,500 00	
	Prince Edward Island		
125	Annandale—Repairs to wharf	750 00	
	China Point—Repairs to wharf	750 00	
	Harbours and Rivers generally—Repairs and improvements	14,000 00	
	Hurd's Point, Bedeque—Repairs and improvements to wharf	900 00	
	Little Sands—Wharf improvements	1,600 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	PUBLIC WORKS—*Continued*	$ cts.	$ cts.
	(*Chargeable to Income*)—Continued		
	HARBOURS AND RIVERS—*Continued*		
	Prince Edward Island—Concluded.		
125	Miminigash—Repairs to breakwaters and beach protection works	1,000 00	
	Port Selkirk—Repairs to pier	800 00	
	Souris—Repairs to breakwater	1,000 00	
	Tignish—Repairs to breakwaters	2,500 00	
	Victoria—Repairs to pier	1,100 00	
	Wood Island—Repairs to breakwaters	2,500 00	
	New Brunswick		
126	Anderson's Hollow—Repairs to wharf	1,400 00	
	Back Bay—Wharf repairs and improvements	3,500 00	
	Bathurst—Harbour improvements	85,000 00	
	Cape Bald—Repairs to breakwater-pier	1,500 00	
	Dorchester—Wharf improvements	1,500 00	
	Great Salmon River—Repairs and improvements to breakwater	1,100 00	
	Harbours and Rivers generally—Repairs and improvements	40,000 00	
	Mills Point—Repairs to wharf	600 00	
	Neguac—Repairs to wharf	4,000 00	
	Richibucto Beach—Breakwater repairs and improvements	1,600 00	
	Shippigan Gully—Repairs to breakwater and breastworks	3,500 00	
	St. Nicholas River—Repairs to wharf	900 00	
	Tynemouth Creek—To reconstruct and repair breakwater	5,500 00	
	Welchpool—Repairs to wharf	850 00	
	Maritime Provinces Generally		
127	To purchase creosoted timber for works in the Maritime Provinces generally	5,000 00	
	Quebec		
128	Anse aux Gascons—Repairs to wharf	500 00	
	Baie St. Paul—Repairs to wharf	2,500 00	
	Berthier (en bas)—Repairs to wharf	1,000 00	
	Cape Cove—Repairs to pier	1,200 00	
	Chambord—Wharf repairs and reconstruction	5,000 00	
	Clark City—Reconstruction of wharf	4,500 00	
	Desjardins—Repairs to wharf	2,500 00	
	Father Point—Wharf improvements	1,100 00	
	Gaspe Deep Water Wharf—Repairs	17,000 00	
	Harbours and Rivers generally—Repairs and improvements	75,000 00	
	Hudson—Reconstruction of wharf	4,800 00	
	Isle Perrot North—Repairs to wharf	1,600 00	
	Isle Verte—Repairs to wharf	2,500 00	
	Lacolle—Repairs to wharf	2,900 00	
	Laprairie—Protection works	85,000 00	
	Lotbinière—Repairs to wharf	1,800 00	
	Murray Bay—Repairs and improvements to wharf	3,500 00	
	Ouareau River—Repairs to icebreaker	1,500 00	
	Phillipsburg—Wharf reconstruction	2,000 00	
	Point Pizeau—Repairs to wharf	11,100 00	
	Point St. Pierre—Repairs to breakwater	1,900 00	
	Rimouski—Harbour improvements	170,000 00	
	Rimouski wharf—Water supply	6,000 00	
	Rivière des Vases—Repairs to pier	1,000 00	
	Rivière Ouelle—Repairs and improvements to wharf	5,400 00	
	St. Alexis—Repairs to wharf	3,800 00	
	St. Alphonse—Repairs to wharf	2,600 00	
	St. Andre de Kamouraska—Repairs to wharf	1,500 00	
	Ste. Anne des Momts—Landing pier	6,650 00	
	Ste. Felicité—Repairs to wharf	600 00	
	St. Ignace de Loyola—Repairs to dyke	600 00	
	St. Irènée—Repairs to wharf	660 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	PUBLIC WORKS—*Continued*	$ cts.	$ cts.
	(*Chargeable to Income*)—Continued		
	HARBOURS AND RIVERS—*Concluded*		
	Quebec—Concluded		
128	St. Jean Deschaillons—Repairs to wharf approach	760 00	
	St. Johns—To rebuild ice pier and replace piles	1,200 00	
	St. Laurent, Island of Orleans—Repairs to wharf	3,800 00	
	St. Michel de Bellechasse—Repairs to wharf	1,600 00	
	St. Paul, Ile aux Noix—Repairs to wharf	750 00	
	Trois Pistoles—Repairs to wharfs and breakwater	1,000 00	
	Varennes—Protection work	1,200 00	
	Ontario		
129	Belle River—Repairs to sheet piling	900 00	
	Big Bay Point—Repairs to wharf	850 00	
	Bowmanville—Repairs to pier	10,000 00	
	Bronte—Repairs to pier	1,000 00	
	Bruce Mines—Repairs to and reconstruction of wharf	1,000 00	
	Coburg—Repairs to east pier	15,000 00	
	Colchester—Repairs to wharf	1,000 00	
	French River dams—Repairs and maintenance	1,000 00	
	Goderich—Repairs to harbour works	3,000 00	
	Haileybury—Repairs to wharfs	2,000 00	
	Harbours and Rivers generally—Repairs and improvements	65,000 00	
	Kingston—Harbour improvements	52,000 00	
	Leamington—Repairs to wharf	2,100 00	
	Michipicoten River—Repairs to wharf	1,100 00	
	Newcastle—Repairs to east pier	17,500 00	
	New Liskeard—Repairs to wharf	700 00	
	Pelee Island—Repairs to dock	1,000 00	
	Pembroke—Repairs to wharf	9,400 00	
	Petawawa—Repairs and improvements to wharf	800 00	
	Port Bruce—Repairs to piers	2,100 00	
	Port Burwell—Repairs to piers	36,000 00	
	Port Stanley—Harbour improvements	96,000 00	
	Rainy River—Repairs to protection work	800 00	
	Rondeau Harbour—Repairs and renewals to piers	3,500 00	
	Saugeen River at Southampton—Repairs to piers	3,600 00	
	Shrewsbury—Repairs to pier	900 00	
	Silver Centre—Repairs to wharf	1,000 00	
	Manitoba		
130	Arnes—Repairs to wharf	1,500 00	
	Gimli—Repairs to wharf	500 00	
	Harbours and Rivers generally—Repairs and improvements	15,000 00	
	Hnausa—Repairs to wharf	1,200 00	
	Lake Francis Outlet—Repairs to guard piers	800 00	
	Saskatchewan and Alberta		
131	Harbours and Rivers generally—Repairs and improvements	20,000 00	
	British Columbia		
132	Fraser River (lower)—Improvements	20,000 00	
	Harbours and Rivers generally—Repairs and Improvements	75,000 00	
	Holberg—Repairs to wharf	3,300 00	
	James Island—Repairs to wharf	750 00	
	Metchosin—Repairs to wharf	1,700 00	
	Prince Rupert Quarantine Station—Repairs to wharf	1,500 00	
	Quatsino—Repairs to wharf	4,300 00	
	Sidney Island—Repairs to wharf	2,200 00	
	Stickine River—Improvements	5,400 00	
	To purchase a supply of creosoted timber for use in repairing wharfs	10,000 00	

No. of Vote	SERVICE	Amount	Total
	PUBLIC WORKS—*Concluded*	$ cts.	$ cts.
	(*Chargeable to Income*)—Concluded		
	HARBOURS AND RIVERS—*Continued*		
	British Columbia—Concluded.		
132	Ucluelet—Repairs to wharf	600 00	
	Union Bay—Repairs to wharf	6,500 00	
	Vargas Island—Repairs to wharf	2,100 00	
	Williams Head Quarantine Station—Improvements and repairs	3,500 00	
	Generally		
133	Harbours and Rivers—Generally	40,000 00	
	DREDGING		
134	New Dredging Plant—Ontario and Quebec	65,000 00	
	Dredging—Maritime Provinces	500,000 00	
	Dredging—Ontario and Quebec	500,000 00	
	Dredging—Manitoba, Saskatchewan and Alberta	90,000 00	
	Dredging—British Columbia	550,000 00	
	SLIDES AND BOOMS		
135	Slides and booms generally	5,000 00	
	ROADS AND BRIDGES		
136	Dominion roads and bridges generally	5,000 00	
	Edmonton—Repairs to bridge	3,500 00	
	Ottawa—Maintenance and repair of bridges, and approaches	7,000 00	
	TELEGRAPH AND TELEPHONE LINES		
	Nova Scotia		
137	Cape Breton Telegraph System—Repoling and general repairs	4,600 00	
	Prince Edward Island		
138	For half cost of reconstruction of telegraph lines jointly owned by the Anglo-American Telegraph Co., and the Dominion Government	17,000 00	
	Quebec		
139	Improvements to repair service	3,000 00	
	Saskatchewan and Alberta		
140	Moosejaw—Wood Mountain telegraph line—Renewal of poles	5,000 00	
	Peace River Line—Office and dwelling at Grande Prairie	3,200 00	
	Peace River Line—Office and dwelling at Dunvegan	3,325 00	
	Repairs and improvements to office buildings	2,350 00	
	British Columbia		
141	Mainland telegraph and telephone lines—General repairs and improvements	22,400 00	
	MISCELLANEOUS		
142	Architectural Branch—Salaries of architects, clerks of works, inspectors, draughtsmen, clerks and messengers of outside service	60,000 00	
	Engineering Branch—Salaries of engineers, inspectors, superintendents, draughtsmen, clerks and messengers of outside service	435,000 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	PUBLIC WORKS—*Continued*	$ cts.	$ cts.
	(*Chargeable to Income*)—Continued		
	MISCELLANEOUS—*Concluded.*		
142	Monument of His late Majesty King Edward VII	10,000 00	
	Construction and operation of water storage dams on the Ottawa River and tributaries, surveys in connection therewith, and settlement of land damages	115,000 00	
	Dry docks generally—Inspection, etc.	10,000 00	
	River gaugings and metering	20,000 00	
	The National Gallery of Canada	8,000 00	
	Surveys and inspections	130,000 00	
	To cover balance of expenditure for works already authorized for which the appropriations may be insufficient, provided the amount for any one work does not exceed $200	10,000 00	
	Monument to memory of the late Hon. Thos. D'Arcy McGee	8,000 00	
	Accounts Branch—Salaries of agents and clerks, travelling and contingent expenses of outside service	20,000 00	
	Georgian Bay Ship Canal Royal Commission	25,000 00	
	To pay Western Dry Dock and Ship-building Co., Limited, of Port Arthur, a portion of the fourth payment of subsidy due them upon their completion of the work covered by the agreement ratified by Chap. 57, 3-4 George V, 1913, notwithstanding that the work is not completed	35,641 50	
	For operation and maintenance of inspection boats	50,000 00	
	MAIL SUBSIDIES AND STEAMSHIP SUBVENTIONS		
	ATLANTIC OCEAN		
147	Steam service between Annapolis and London or Hull, England, or both	5,000 00	
148	Steam service between Canadian Atlantic ports and Australia and New Zealand	140,000 00	
149	Ocean and mail service between Canada and Great Britain	1,000 000 00	
150	Steam service between Canada and Cuba	25,000 00	
151	Steam service or services between Canada and Newfoundland	70,000 00	
152	Steam service between Canada and the West Indies or South America or both	340,666 66	
153	Steam service between Canada and South Africa	146,000 00	
154	Steam service between Halifax, St. John's, Newfoundland and Liverpool	20,000 00	
155	Steam service between Montreal, Quebec and Manchester, England, during the summer season, and between St. John, Halifax and Manchester during the winter season	35,000 00	
156	Winter steam service between St. John, Dublin and Belfast	7,500 00	
157	Winter steam service between St. John and Glasgow	15,000 00	
158	Winter steam service between St. John, Halifax and London	15,000 00	
159	Steam service between St. John, Halifax and London	25,000 00	
	PACIFIC OCEAN		
160	Steam service between Canada and Australia or New Zealand or both, on Pacific Ocean	180,509 00	
161	Steam service between Canada, China and Japan	253,333 34	
162	Steam service between Prince Rupert, B. C., and Queen Charlotte Islands	16,000 00	
163	Steam service between Victoria and San Francisco	3,000 00	
164	Steam service between Victoria, Vancouver way ports Skagway	12,500 00	
165	Steam service between Victoria and West Coast Vancouver Island	5,000 00	
166	Steam service between Vancouver and northern ports of British Columbia	16,800 00	

No. of Vote	SERVICE	Amount	Total
	MAIL SUBSIDIES AND STEAMSHIP SUBVENTIONS —*Concluded*	$ cts.	$ cts.
	LOCAL SERVICES		
167	Steam service between Baddock and Iona	5,825 00	
168	Steam service between Charlottetown, Victoria and Holiday's Wharf	2,500 00	
169	Steam service between Froude's Point and Lockport, N. S.	600 00	
170	Steam service from the opening to the closing of navigation in 1917, between Gaspe Basin and Dalhousie or Campbellton	15,000 00	
171	Steam service between Grand Manan and the mainland	10,000 00	
172	Steam service between Halifax, Canso and Guysboro	5,000 00	
173	Steam service between Halifax and Newfoundland via Cape Breton ports	10,000 00	
174	Steam service between Halifax, Mahone Bay, Tancook Island and La Have River ports	4,000 00	
175	Steam service between Halifax and Spry Bay and ports in Cape Breton	4,000 00	
176	Steam service between Halifax, South Cape Breton and Bras d'Or Lake ports	6,000 00	
177	Steam service between Halifax and West Coast Cape Breton calling at way ports	4,000 00	
178	Steam service between Halifax and Sherbrooke	2,000 00	
179	Steam service from the opening to the closing of navigation between Kenora and Fort Frances	8,000 00	
180	Steam service from the opening to the closing of navigation in 1917 between the mainland and the Magdalen Islands	18,000 00	
181	Steam service between Mulgrave and Canso	6,500 00	
182	Steam service between Mulgrave and Guysboro, calling at intermediate ports	5,500 00	
183	Steam service between Newcastle, Neguac and Escuminac, calling at all intermediate points on the Miramichi River and Miramichi Bay	2,500 00	
184	Steam service between Pelee Island and the mainland	8,000 00	
185	Steam service between Petit de Grat and Intercolonial Railway terminus at Mulgrave	7,000 00	
186	Steam service on the Petitcodiac River between Moncton and way ports, and a port or ports on the west coast of Cumberland County	2,500 00	
187	Steam service between Pictou and Montague, calling at Murray Harbour and Georgetown	6,000 00	
188	Schooner service between Pictou, New Glasgow, Antigonish County ports and Mulgrave	1,000 00	
189	Steam service from the opening to the closing of navigation in 1917, between Pictou, Mulgrave and Cheticamp	7,500 00	
190	Steam service from the opening to the closing of navigation in 1917, between Port Mulgrave, St. Peter's, Irish Cove and Marble Mountain and other ports on the Bras d'Or Lakes	6,500 00	
191	Steam service between Prince Edward Island and Cape Breton and Newfoundland	20,000 00	
192	Steam service during the year 1917, between Quebec and Harrington, calling at the ports and places along the northern shore of the River St. Lawrence between such terminals	28,000 00	
193	Steam service between Quebec and Gaspe Basin, touching at intermediate points	8,500 00	
194	Steam service between Quebec and ports on the north shore of the Isle of Orleans	4,500 00	
195	Steam service between Riviere du Loup, Tadoussac and other North Shore ports	6,000 00	
196	Winter steam service between Rivière du Loup, Tadoussac and other St. Lawrence ports	8,000 00	
197	Winter steam service between St. Catharines Bay and Tadoussac	3,500 00	
198	Steam service between St. John and ports in Cumberland Basin	3,000 00	
199	Steam service between St. John, N. B., and St. Andrew, N. B., calling at intermediate points	4,000 00	
200	Steam service between St. John and Bridgetown	2,500 00	
201	Steam service between St. John and Digby	20,000 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	MAIL SUBSIDIES AND STEAMSHIP SUBVENTIONS —*Concluded.*	$ cts.	$ cts.
	LOCAL SERVICES—*Concluded*		
202	Steam service between St. John, Digby, Annapolis and Granville, viz. along the west coast of the Annapolis Basin	2,000 00	
203	Steam service between St. John, N. B., and ports on the Bay of Fundy and Minas Basin, and Margaretville, N. S.	8,000 00	
204	Steam service or services between St. John, Westport and Yarmouth and other way ports	10,000 00	
205	Steam service during the year 1917, between St. Stephen, N. B., Ste. Croix River Points, Deer Island, Campobello and the inner islands, Passamaquoddy Bay and L'Etete or Back Bay	6,000 00	
206	Steam service during the season of 1917, between Sydney and Bay St. Lawrence, calling at way ports	6,000 00	
207	Steam service during the season 1917, between Sydney and Whycocomagh	3,000 00	
208	Steam service from Sydney, N. S., around the East Coast of Cape Breton to Hastings and return to Sydney via the Bras d'Or Lakes	5,500 00	
209	Expenses in connection with the supervision of subsidized steamship services	3,000 00	
	DEPARTMENT OF THE NAVAL SERVICE		
210	Naval Service—To provide for the maintenance and upkeep of ships, Naval College, Dockyards at Halifax and Esquimalt and Royal Naval Canadian Volunteer Reserve	1,000,000 00	
211	Fisheries Protection Service—To provide for the repairs and maintenance of fisheries protection steamers	375,000 00	
212	Fisheries Protection Service—To provide for new vessels	100,000 00	
213	Hydrographic Surveys	290,000 00	
214	Radiotelegraph Service—To provide for the building and maintenance of wireless stations	295,000 00	
215	Tidal Service—To provide for the maintenance of tidal stations and surveying steamers	35,000 00	
216	Patrol of the northern waters of Canada	50,000 00	
217	Life-saving stations, including rewards for saving life	125,400 00	
	OCEAN AND RIVER SERVICE		
218	Maintenance and repairs to Dominion steamers and ice-breakers	1,180,000 00	
219	Examiners of Masters and Mates	16,500 00	
220	Investigations into wrecks	12,300 00	
221	Expenses of Schools of Navigation	8,000 00	
222	Registration of Shipping	3,000 00	
223	Removal of obstructions in navigable waters	20,000 00	
224	Inspection of live stock shipments	5,000 00	
225	To continue subsidy for wrecking plants—Quebec, Maritime Provinces and British Columbia	45,000 00	
226	Unforeseen expenses	5,000 00	
227	To provide for the construction of two steamers to replace the "*Quadre*"	150,000 00	1,444,800 00
	PUBLIC WORKS		
	(*Chargeable to Capital*)		
	MARINE DEPARTMENT		
228	River St. Lawrence Ship Channel	672,000 00	
229	To provide for construction and completion of dredging plant for St. Lawrence River from Montreal to Father Point	216,550 00	888,550 00

No. of Vote	SERVICE	Amount	Total
	LIGHTHOUSE AND COAST SERVICE	$ cts.	$ cts.
230	Agencies, rents and contingencies	166,000 00	
231	Salaries and allowances to lightkeepers	485,000 00	
232	Maintenance and repairs to lighthouses	750,000 00	
233	Construction of lighthouses and aids to navigation, including apparatus, submarine signals, and providing suitable boats for carrying on construction work	600,000 00	
234	Signal service	60,000 00	
235	Administration of pilotage and maintenance and repairs to steamer *Eureka*	56,300 00	
236	Maintenance and repairs to wharves	10,000 00	
237	To provide for breaking ice in Thunder Bay and Lake Superior and other points deemed advisable for the good of navigation	40,000 00	
238	Repairs to Maritime Road	1,000 00	
239	Amount required to pay pension of $300 each per annum to following retired pilots:—Ls. R. Demers, Theodule Lachance, Jos. Lapointe, Nestor Lachance, Paul Gobeil, Barthelemi Lachance, Alphonse Asselin, Chas. Normand, Nap. Rioux, Elzear Desrosiers, Hubert Raymond, Arbel Bernier, Laurent Godbout, Adelme Pouliot, Edmond Larochelle, L. E. Morin, A. T. Simard, J. Plante, V. Vezina, J. G. Dupil, Raymond Paquet, Alfred Larochelle, Elzear Godbout, Theophile Corriveau, Alphonse Pouliot, Emilio Couillard, Treffle Delisle, David Dumas, Alfred Goudreau	8,700 00	
240	To provide for telephones at different points throughout the Dominion in connection with aids to navigation	500 00	
241	New vessel to replace the *Maisonneuve*	12,000 00	
242	Amount required for rebuilding of *Scout*	12,000 00	
243	Allowance to Harbour Master at Amherstburg, for supervision of lights and buoys in St. Clair River, Detroit river, Lake Erie and other services during the season of navigation	400 00	2,201,900 00
	SCIENTIFIC INSTITUTIONS		
	Department of the Interior		
244	Astronomical Surveys—Investigations and demarcations, etc., including expenses of Dominion Astronomical Observatory at Ottawa and Branch at Saanich Hill, B. C., and $1,000 to J. J. McArthur, as International Boundary Commissioner	197,500 00	
	Department of Marine and Fisheries		
245	Meteorological Service, including Magnetic Observatory, grants of $500 each to Kingston and Montreal Observatories; also allowance of $400 to L. F. Gorman, Observer at Ottawa	201,793 00	399,293 00
	MARINE HOSPITALS		
246	Marine Hospitals, including grants to institutions assisting sailors	75,000 00	
	Shipwrecked and distressed seamen	3,000 00	78,000 00
	STEAMBOAT INSPECTION		
247	Steamboat Inspection		79,749 00
	FISHERIES		
248	Salaries and disbursements of Fishery Officers, including the expenses of the Fisheries Advisory Board, and an allowance of $300 to W. J. E. Casey, Secretary thereof	305,000 00	
249	Building fishways and clearing rivers	30,000 00	
250	Legal and incidental expenses	4,000 00	
251	Canadian Fisheries Museum	8,000 00	
252	Oyster culture	6,000 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	FISHERIES—*Concluded*	$ cts.	$ cts.
253	To assist in the establishment, maintenance and inspection of cold storage for bait, the conservation and development of deep sea fisheries, and to provide for better transportation facilities for fresh fish..............	125,000 00	
254	To provide for the reduction of dogfish by means of experimental works or otherwise....................	60,000 00	
255	To pay Customs Officers for services in connection with issuing *modus vivendi* licenses....................	900 00	
256	To provide for the maintenance of a Fisheries Intelligence Bureau....................................	5,000 00	
257	Fisheries Patrol Service...........................	190,000 00	
258	To provide for a Fisheries exhibit at the Canadian National Exhibition at Toronto....................	10,000 00	
259	Salaries, building and maintenance of fish breeding establishments....................................	400,000 00	
260	To provide for the inspection of pickled fish............	25,000 00	
261	Marine Biological Board of Canada....................	26,000 00	
	MINES AND GEOLOGICAL SURVEY		
	Mines Branch		
262	Investigation of ore and other economic deposits, structural materials, expenses of Fuel and Ore Dressing Plant, collection of mining and metallurgical statistics....	71,620 00	
	Publications, English and French editions of reports, purchase of books of reference, laboratory supplies, instruments, office contingencies..................	62,000 00	
	For expenses in connection with the manufacture and storage of explosives..............................	1,000 00	
	Dominion of Canada, Assay Office		
263	Maintenance of Assay Office, Vancouver, B. C..........	25,000 00	
	Geological Survey Branch		
264	For explorations, surveys and investigations, wages of explorers, draughtsmen and others..................	150,000 00	
	For publication of English and French editions of reports; maps, illustrations, etc........................	65,000 00	
	For maintenance of offices and museum; instruments, chemicals, books of reference; miscellaneous assistance and contingencies............................	50,000 00	
	For purchase of specimens..........................	5,000 00	
	Compensation to J. R. Lyons for quarters vacated......	400 00	
			430,020 00
	LABOUR		
265	Conciliation and Labour Act, including publication, printing, binding and distribution of the *Labour Gazette*, and allowance to correspondents, and for clerical assistance in preparing tables of statistics....................	35,000 00	
266	Industrial Disputes Investigation Act..................	25,000 00	
267	Combines Investigation Act..........................	2,500 00	
268	Industrial Training and Technical Education...........	1,000 00	
269	Fair Wages and Inspection Officers....................	15,000 00	
			78,500 00
	INDIANS		
	ONTARIO AND QUEBEC		
270	Relief, medical attendance and medicines...............	28,000 00	
	Repairs to roads and bridges, and drainage.............	11,900 00	
	General expenses.....................................	51,075 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	INDIANS—*Concluded*	$ cts.	$ cts.
	NOVA SCOTIA		
271	Salaries	4,400 00	
	Relief	8,000 00	
	To provide for encouragement of agriculture	1,000 00	
	Medical attendance and medicines	5,000 00	
	Repairs to roads and dyking	600 00	
	Miscellaneous and unforeseen	9,162 00	
	NEW BRUNSWICK		
272	Salaries	1,984 00	
	Relief	8,000 00	
	Medical attendance and medicines	,000 00	
	Miscellaneous and unforeseen	850 00	
	Repairs to roads	450 00	
	To provide for encouragement of agriculture	1,000 00	
	PRINCE EDWARD ISLAND		
273	Salaries	600 00	
	Relief and seed grain	1,125 00	
	Medical attendance and medicines	850 00	
	Miscellaneous	650 00	
	MANITOBA, SASKATCHEWAN, ALBERTA AND NORTHWEST TERRITORIES		
274	Implements, tools, etc	11,893 00	
	Field and garden seeds	4,530 00	
	Live stock	4,835 00	
	Supplies for destitute	143,465 00	
	Hospital, medical attendance and medicines	105,035 00	
	Triennial clothing	6,000 00	
	Surveys	11,000 00	
	Sioux	6,418 00	
	Grist and saw mills	1,049 00	
	General expenses	263,924 00	
	BRITISH COLUMBIA		
275	Salaries	47,840 00	
	Relief to destitute Indians	22,000 00	
	To assist Indians in farming, fruit culture and cleansing orchards	8,450 00	
	Hospital, medical attendance and medicines	43,200 00	
	Travelling expenses	20,000 00	
	Office, miscellaneous and unforeseen expenses	19,560 00	
	Surveys	5,000 00	
	YUKON		
276	Relief, medical attendance and medicines	11,000 00	
	Surveys	7,000 00	
	General expenses	4,000 00	
	INDIAN EDUCATION		
277	Indian Education	734,115 00	
	GENERAL		
278	Advances to Indians surrendering their lands under provisions of section 89 of the Indian Act, which will afterwards be repaid from the avails of the land	25,000 00	
	Relief to destitute Indians in remote districts	60,000 00	
	To prevent spread of tuberculosis	10,000 00	
	Printing, stationery, etc	5,000 00	
	Grant to assist Indian Trust Fund Account 310, suppression of liquor traffic	3,000 00	
	Surveys, Ontario, Quebec and Maritime Provinces	3,000 00	
	To provide for the expenses in connection with epidemic of small-pox and other diseases	10,000 00	
	To provide an amount to pay Indian Agents' fees in connection with registration of births, deaths and marriages	1,500 00	
	General legal expenses	5,500 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	ROYAL NORTHWEST MOUNTED POLICE	$ cts.	$ cts.
	NORTHWEST TERRITORIES, YUKON TERRITORY, PROVINCES OF ALBERTA AND SASKATCHEWAN		
279	Pay of force	651,790 25	
	Subsistence, billeting, forage and dog feed, fuel and light, clothing, repairs and renewals, horses, arms and ammunition, stationery, medical stores, transport, water service, building repairs, and contingencies	503,378 75	
	To compensate members of the Royal North West Mounted Police for injuries received while in the discharge of duty	3,000 00	1,158,169 00
	GOVERNMENT OF THE NORTHWEST TERRITORIES		
280	Salary of Mr. Fred White as Commissioner of the Northwest Territories	1,000 00	
	Salary of Mr. L. Duplessis as Secretary to the Commissioner	300 00	
	Salary of Mr. Geo. D. Pope as Accountant to the Commissioner	300 00	
	Schools	3,000 00	
	Relief to destitute, maintenance of insane patients and prisoners	1,900 00	
	Investigations, travelling expenses, clerical assistance, printing, stationery and contingencies	1,500 00	8,000 00
	GOVERNMENT OF THE YUKON TERRITORY		
281	Salaries and expenses connected with the administration of the Territory	120,000 00	
	Grant to Local Council	125,000 00	
	Grant to Local Council for maintenance of and repairs to roads	75,000 00	320,000 00
	DOMINION LANDS AND PARKS		
282	Salaries of the Outside Service	465,000 00	
	Contingencies, advertising, etc	270,000 00	
	Surveys, examination of survey returns, printing of plans, etc	776,300 00	
	Amount required to pay the fee of the Board of Examiners for D. L. Surveyors, of the Secretary and of the Subexaminers and for stationery, printing, rent of rooms and furniture, etc. (The fees of Messrs. E. Deville, Otto J. Klotz and W. M. Tobey, members of the Board, and J. A. Cote, Secretary, are to be paid out of this sum)	2,400 00	
	To assist in publishing the transactions of the Association of Dominion Land Surveyors	125 00	
	Protection of Timber in Manitoba, Saskatchewan, Alberta, the N. W. T. and the Railway Belt in B. C., tree culture in Manitoba, Saskatchewan, Alberta, and inspection and management of Forest reserves	650,000 00	
	Grant to Canadian Forestry Association	2,000 00	
	To pay expenses connected with Water-Power investigations and reports in Manitoba, Saskatchewan, Alberta, and the Railway Belt in B. C	159,000 00	
	For surveys and works under the Irrigation Act, etc., including $400 for P. Marchand as Auditor of disbursements made by Companies acquiring lands under the Irrigation system	174,000 00	
	Grant to Western Canada Irrigation Association	500 00	
	Grant to Cypress Hills Water Users' Association	250 00	
	Canadian National Parks	300,000 00	
	Engraving, lithographing, printing and preparation of maps, plans and kindred publications of the Dominion including necessary materials for same	66,100 00	
	Costs of litigation and legal expenses	11,000 00	
	Ordnance Lands salaries and expenses	1,720 00	
	Grant to Alpine Club of Canada	1,000 00	2,879,395 00

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	MISCELLANEOUS	$ cts.	$ cts.
283	*Canada Gazette*	21,000 00	
284	Printing Bureau—Plant, repairs and renewals	7,000 00	
285	Printing Bureau—Plant—New	50,000 00	
286	Distribution of Parliamentary Documents	45,000 00	
287	Miscellaneous printing	100,000 00	
288	Contribution towards publication of International Catalogue of Scientific Literature	585 00	
289	Expenses under the Canada Temperance Act	5,000 00	
290	Expenses under the Naturalization Acts	11,000 00	
291	Unforeseen expenses, expenditure thereof to be under Order in Council, and a detailed statement to be laid before Parliament within first fifteen days of next session	40,000 00	
292	Grant to the Interparliamentary Union for Peace	200 00	
293	To provide for the expenses of the Acting High Commissioner, London, England	12,000 00	
294	For supply of Canadian publications to Library of High Commissioner's Office	1,000 00	
295	To provide for purchase of 600 copies of the *Parliamentary Guide*	1,200 00	
296	Special allowance to Sir Charles Fitzpatrick, to cover expenses when attending the sittings of the Judicial Committee of the Privy Council	2,500 00	
297	Special allowance to the Chief Justice of the Supreme Court of Canada, to cover travelling and other expenses in connection with his services while acting as Deputy to His Excellency the Governor General	2,500 00	
298	Public Archives	60,000 00	
299	To provide for the expenses of the Conservation Commission	80,000 00	
300	Expenses of litigated matters conducted within the Department of Justice	13,000 00	
301	Annual contribution to the Canadian Law Library, London, England	500 00	
302	Consolidation and publication of Reports, Orders in Council and correspondence upon Provincial Legislation since 1905	500 00	
303	Expenses under the Pecuniary Claims Convention with the United States	5,000 00	
304	Grant to Chief Constables' Association of Canada	500 00	
305	Cost of proceedings before the International Joint Commission	5,000 00	
306	To assist in suppression of the White Slave Traffic	2,500 00	
307	Amount required to pay Consular offices abroad for services	500 00	
308	Salaries and expenses of the Paris Agency	28,000 00	
309	Allowance to Mr. W. J. Stewart, Chief Hydrographer, for services performed under Order in Council of the 19th October, 1912, in relation to questions under consideration by the International Joint Commission, during the year 1917-18	1,000 00	
310	Amount required to meet expenses of the Technical Board appointed to consider questions relating to the level of the Lake of the Woods	8,000 00	
311	Grant to Canadian Mining Institute	3,000 00	
312	Grant to assist the Canadian Association for the prevention of Tuberculosis	10,000 00	
313	Grant to the Canadian Handicrafts' Guild	2,000 00	
314	Grant to assist the Canadian Branch of the St. John Ambulance Association	5,000 00	
315	Grant to the National Battlefields Commission:—		
	(*a*) For expenses of administration	5,500 00	
	(*b*) For maintenance of the National Battlefields Park	46,200 00	
	(*c*) For maintenance of Martello Tower No. 4	400 00	
316	Grant in aid of the Canadian General Council of the Boy Scouts Association	5,000 00	
317	Grant to the Royal Society of Canada	4,000 00	
318	Grant to the Victorian Order of Nurses	5,000 00	
319	Contribution to aid in carrying on the work of the Astronomical Society	1,000 00	
320	Royal Academy of Arts	2,500 00	
321	Canadian Press, Limited—Towards expenses of a National News Service	50,000 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	MISCELLANEOUS—*Concluded*	$ cts.	$ cts.
322	To provide for the salary of a private secretary, S. Lelièvre, to the Speaker of the Senate	600 00	
323	To provide for the salary of a private secretary, A. Hinds, $600, and clerical services, to the Hon. Sir James Lougheed, a member of the Cabinet and Leader of the Senate	1,200 00	
324	Contribution to McGill University towards the maintenance of a Regional Bureau for Canada, for the International Catalogue of Scientific Literature	2,000 00	
325	Allowance for private secretary to Sir George Perley	1,200 00	
			648,085 00
	CUSTOMS		
326	Salaries and contingent expenses of the several ports in the Dominion, including pay for overtime of officers, notwithstanding anything in the Civil Service Act, and temporary Customs buildings and rentals	3,590,000 00	
	Salaries and travelling expenses of Inspectors of ports and of other officers on inspection and preventive service, including salaries and expenses in connection with the Board of Customs	335,000 00	
	Miscellaneous—Printing and stationery, subscriptions to commercial papers, flags, dating stamps, locks, instruments, etc., for various ports of entry, express charges on samples, stationery and forms, legal expenses, premiums on guarantee bonds, and uniforms for Customs Officers	180,000 00	
	To provide for expenses of maintenance of revenue cruisers and for preventive service	100,000 00	
	Amounts to be paid to Department of Justice to be disbursed by and accounted for to it, for secret preventive service	10,000 00	
			4,215,000 00
	EXCISE		
327	Salaries of officers and inspectors of Excise, and to provide for increase depending on the result of Excise examinations	581,318 75	
	For extra duty-pay at large distilleries and other factories	16,000 00	
	Duty-pay to officers serving longer hours, at other than special survey	2,000 00	
	Preventive service—Contingencies	15,000 00	
	Preventive service—Salaries	155,000 00	
	Travelling expenses, rent, fuel, stationery, etc.	90,000 00	
	To provide for stamps, stationery, salaries, travelling expenses, etc., in connection with War Tax	125,000 00	
	Stamps for imported and Canadian tobacco	130,000 00	
	To pay collectors of customs for duty collected by them	5,000 00	
	Provisional allowance of not more than $50 each to officers in Manitoba and provinces west thereof, whose salaries from any Government service do not exceed $2,500	11,000 00	
	To enable the Department to supply methylated spirits to manufacturers, the cost of which will be recouped by the manufacturers to whom it is supplied, and to pay rent, power, freight, salaries, etc	170,000 00	
			1,300,318 75
	WEIGHTS AND MEASURES, GAS AND ELECTRIC LIGHT INSPECTION		
328	Salaries of officers, inspectors and assistant inspectors of Weights and Measures	155,250 00	
	Rent, fuel, travelling expenses, postage, stationery, etc., for Weights and Measures, including amount for purchase of Standards of the Metric System, salaries and other expenses of inspection	80,000 00	
	Provisional allowance, not more than $150 each to officers in Manitoba and provinces west thereof, whose salaries do not exceed $2,500 per annum (Weights and Measures)	5,000 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	WEIGHTS AND MEASURES, GAS AND ELECTRIC LIGHT INSPECTION—*Concluded*	$ cts.	$ cts.
328	Salaries of gas and electricity inspectors................	88,500 00	
	Rent, fuel travelling expenses, stationery, etc., for gas and electricity inspection, and the purchase and repairs of instruments..	59,000 00	
	Provisional allowance, not more than $150 each to officers in Manitoba and provinces west thereof, whose salaries do not exceed $2,500. (Gas and electric Light)..	4,000 00	
	Export of electric power..............................	1,000 00	
	The International Bureau of Weights and Measures.....	800 00	
	The International Electro, Technical Commission.......	400 00	
			393,950 00
	ADULTERATION OF FOOD, ETC.		
329	Adulteration of food and the administration of the Act respecting fertilizers, fraudulent marking and commercial feeding stuffs..........................	50,000 00	
	Proprietary or Patent Medicines......................	2,000 00	
	Inland Revenue Department—Minor Revenue Expenditures..	500 00	
			52,500 00
	RAILWAYS AND CANALS		
	(*Chargeable to Collection of Revenue*)		
	CANADIAN GOVERNMENT RAILWAYS		
330	Working expenses..................................	25,000,000 00	
	CANALS		
331	Staff and repairs..................................	1,440,000 00	
	Statistical officers................................	42,500 00	
	MISCELLANEOUS		
	Canadian Government Railways		
332	Gratuity to the wife of Fireman Wm. Blair who was badly injured on the Transcontinental Railway and afterwards went insane..............................	2,000 00	
	Compassionate allowance to the widow of the last Charles E. Moore, who was accidentally killed while in the discharge of his duties as engine driver on the Transcontinental Railway, September 5, 1916............	2,000 00	
	Compassionate allowance to the widow of the late Gideon J. Fairbairn, who was accidentally killed while in the discharge of his duties as engine-driver on the Transcontinental Railway, February 17, 1916............	2,000 00	
	Compassionate allowance to the two children of the late Joseph Howard, who was employed as watchman on the Transcontinental Railway, and was killed while going to his post of duty at Ena, Ontario, Dec. 22, 1915	2,000 00	
	Compassionate allowance to the mother of the late Fred. Downey, who was accidentally drowned at Halifax while assisting in putting out fire on Pier No. 2......	500 00	
	Compassionate allowance to the widow of the late John F. Rogers, clerk in the employ of the Canadian Government Railways, who was shot and killed by an insane soldier in the office building of the Canadian Government Railways, October 17, 1916..................	1,000 00	

SCHEDULE A—*Continued.*

No. of Vote	SERVICE	Amount	Total
	RAILWAYS AND CANALS—*Concluded*	$ cts.	$ cts.
	(*Chargeable to Collection of Revenue*)—Concluded		
	MISCELLANEOUS—*Concluded*		
	Hudson Bay Railroad		
333	Compassionate allowance to the father of the late S. Harbatink, who was accidentally killed while in the performance of his duties as labourer on the Port Nelson Terminals of the Hudson Bay Railway............	600 00	
	Allowance to Thomas Maloney who was severely burned while in discharge of his duties as cook at Port Nelson —Hudson Bay Railway........................	1,000 00	
	Trent Canal		
334	Compassionate allowance to the widow of the late John Bakes, who was accidentally drowned on August 26, 1916..	2,000 00	
			26,495,600 00
	PUBLIC WORKS		
	(*Chargeable to Collection of Revenue*)		
	SLIDES AND BOOMS, GRAVING DOCKS, LOCKS AND DAMS, ETC., WORKING EXPENSES, ETC.		
335	Slides and booms..	54,400 00	
	Graving docks..	45,300 00	
	Harbour and river works, etc........................	53,200 00	
	Collection of Public Works revenues..................	4,000 00	
	TELEGRAPH AND TELEPHONE LINES		
336	Prince Edward Island and mainland....................	7,000 00	
	Land and cable telegraph lines, Lower St. Lawrence and Maritime Provinces, including working expenses of vessels required for cable service..................	198,000 00	
	Saskatchewan..	55,000 00	
	Alberta..	75,000 00	
	British Columbia—Mainland........................	57,000 00	
	British Columbia—Vancouver Island District..........	93,000 00	
	Yukon System (Ashcroft Dawson)..................	255,000 00	
	Telegraph and telephone service generally.............	10,000 00	
			906,900 00
	POST OFFICE		
	Outside Service		
337	Salaries and allowances..............................	8,447,264 25	
	Mail service..	8,349,737 50	
	Miscellaneous..	843,838 00	
	Yukon Territory..	195,000 00	
			17,835,839 75
	TRADE AND COMMERCE		
338	Canada's proportion of expenditure in connection with International Customs Tariffs Bureau..............	662 00	
339	Trade Commissioners and Commercial Agents, including expenses in connection with negotiations of treaties or in extension of commercial relations; miscellaneous advertising and printing, or other expenditure connected with the extension of Canadian trade........	160,000 00	

SCHEDULE A—*Concluded.*

No. of Vote	SERVICE	Amount	Total
	TRADE AND COMMERCE—*Concluded*	$ cts.	$ cts.
340	Bounties on lead and crude petroleum. To cover expenditure in connection with the administration of the Acts	5,000 00	
341	Salaries, rents, wages and contingencies under the Canada Grain Act	850,000 00	
342	Salaries and contingencies under the Inspection and Sale Act	3,000 00	
343	Salaries and contingencies under the Cullers Act, including an amount of $1,800 for superannuated Cullers	8,500 00	
344	To provide for the construction, acquisition, leasing or expropriation of terminal elevators (revote)	810,000 00	
345	Census and Statistics	100,000 00	
346	Canada Year Book	13,500 00	
347	Dominion Royal Commission	10,000 00	
348	Gold and Silver Marking Act	4,000 00	
349	West India Cable	38,933 33	
350	Supervision Lake and Ocean Freight Rates	6,000 00	
351	To provide for the development and extension of Canadian Trade	150,000 00	
			2,159,595 33
	Total	....	128,781,764 70

SCHEDULE B.

(*Based on the Supplementary Estimates,* 1916-1917.)

SUMS granted to His Majesty by this Act for the financial year ending 31st March, 1917, and the purposes for which they are granted.

No. of Vote	SERVICE	Amount	Total
	CIVIL GOVERNMENT	$ cts.	$ cts.
352	*Department of Finance and Treasury Board—*		
	To provide for increased salary of J. C. Saunders, Assistant Deputy Minister, from January 1, 1917....	300 00	
	Allowance for Private Secretaries—Further amount required..................................	300 00	
353	*Department of Customs—*		
	Contingencies—		
	Clerical and other assistance—Further amount required....................................	1,500 00	
	Sundries—Further amount required..............	2,500 00	
354	*Department of Inland Revenue—*		
	To provide for the promotion of four assistant analysts from Second Division Subdivision B, to Second Division Subdivision A......................	1,400 00	
355	*Department of Railways and Canals—*		
	To provide for increase in salary of Assistant to the Minister to $4,500, from January 1, 1917.........	250 00	
356	*Post Office Department—*		
	To increase the salary of Robert Fowler, Assistant Deputy Postmaster General, to $3,500, from October 1, 1916..............................	300 00	
	To provide for one clerkship in First Division, Subdivision B. from November 1, 1916..............	900 00	
357	*Department of External Affairs—*		
	Contingencies—		
	Printing and stationery—Further amount required..	3,000 00	
	Sundries—Further amount required..............	3,000 00	
			13,450 00
	ADMINISTRATION OF JUSTICE		
	General		
358	Allowance to Judges holding Courts in Rainy River District in 1915-16—Further amount required.........	302 00	
	Supreme Court of Canada		
359	Contingencies and disbursements, salaries of officers (Sheriffs, etc.), books, magazines, etc., for Judges, not exceeding $300—Further amount required.........	800 00	
	Exchequer Court of Canada		
360	Contingencies—Judges' travelling expenses, remuneration to Sheriffs, etc., printing, stationery, etc., and $150 for Judges' books—Further amount required..........	1,000 00	
			2,102 00

SCHEDULE B—*Continued.*

No. of Vote	SERVICE	Amount	Total
	LEGISLATION	$ cts.	$ cts.
	HOUSE OF COMMONS		
361	Contingencies—		
	To provide an amount for the Speaker of the House of Commons in lieu of residence and attendants, from January 18, 1917, to March 31, 1917, at the rate of $15 per diem....................................	1,095 00	
	To provide for making a General Index to the Journals and Sessional Papers of the House of Commons for the period 1904 to 1915, inclusive................	1,500 00	
	Stationery—Further amount required................	5,000 00	
	GENERAL		
362	Printing, binding and distributing the annual Statutes—Further amount required..........................	6,000 00	
	LIBRARY OF PARLIAMENT		
363	To provide for the salary of Napoleon Aubry, housekeeper, from January 12, 1916, to March 31, 1917, at $900 per annum..	1,100 00	
	Allowance to housekeeper in lieu of quarters, from January 12, 1916, to March 31, 1917, at $300 per annum......	366 67	
			15,061 67
	ARTS AND AGRICULTURE		
364	For purchase of seed grain—Governor General's warrants	....	1,200,000 00
	MILITIA AND DEFENSE		
365	Pay of Staff:—		
	To provide for salaries of Staff of new Military District No. 12..	13,265 00	
366	Gratuities:—		
	To officers and civilian employees on retirement......	10,458 31	
			23,723 31
	RAILWAYS AND CANALS		
	(*Chargeable to Capital*)		
	RAILWAYS		
	Intercolonial Railway		
367	Halifax—Docks and wharves—Further amount required..	18,000 00	
	Halifax—New terminals facilities—Further amount required..	500,000 00	
	To increase accommodation and facilities along the line—Further amount required.........................	162,220 00	
			680,220 00
	RAILWAYS AND CANALS		
	(*Chargeable to Income*)		
	CANALS		
	Lachine Canal		
368	Repairs to break......................................	175,000 00	
	Miscellaneous		
369	Contribution to the International Association of the Railways Congress.......................................	97 33	
			175,097 33

SCHEDULE B—*Continued.*

No. of Vote	SERVICE	Amount	Total
	PUBLIC WORKS		
	(Chargeable to Income)		
	HARBOURS AND RIVERS		
	Ontario		
370	Burlington—Revetment wall—Further amount required		993 00
	MAIL AND STEAMSHIP SUBVENTIONS		
371	Steam services between Prince Edward Island and Cape Breton and Newfoundland—Further amount required		3,500 00
	SCIENTIFIC INSTITUTIONS		
372	Astronomical Surveys—To pay Mr. J. J. McArthur as International Boundary Commissioner from the 1st of November, 1916, to 31st of March, 1917, at $1,000 per annum—Revote		416 66
	INDIANS		
	BRITISH COLUMBIA		
373	Office, miscellaneous and unforeseen expenses—Further amount required		8,000 00
	ROYAL NORTHWEST MOUNTED POLICE		
374	Subsistence, forage, fuel and light, clothing, buildings, repairs and renewals, dogs, arms, and ammunition, medical stores, billeting, transport, water service, stationery and contingencies—Further amount required		100,000 00
	DOMINION LANDS AND PARKS		
375	To pay the fees of Mr. W. M. Tobey, member of the Board of Examiners for Dominion Land Surveyors—Revote		202 50
	MISCELLANEOUS		
376	Distribution of Parliamentary Documents—Further amount required	5,000 00	
377	Miscellaneous printing—Further amount required	50,000 00	
378	To provide for the purchase of 300 copies of Mr. N. O. Coté's "Political appointments, Parliaments, and the Judicial Bench in the Dominion of Canada, 1867 to 1914"—Ordered in 1914	1,500 00	
379	Public Archives—Further amount required	5,000 00	
380	To provide for expenses in connection with the Board of Inquiry into the cost of living (1914-15) including payments to John McDougall, $1,250; R. H. Coats, $1,000; J. U. Vincent, $1,000; Legal Representatives of the late C. C. James, $1,000, and Thomas J. Lynton, secretary, $500	4,750 00	
381	To complete the Champlain Monument at Ottawa—Further amount required	1,500 00	
382	Contribution towards Kitchener Memorial Fund	24,333 33	
383	For the relief of sufferers by forest fires in Northern Ontario—Governor General's warrant	100,000 00	
384	To cover expenditure in connection with the reception of His Excellency the Duke of Devonshire as Governor General of Canada	5,000 00	
			197,083 33

SCHEDULE B—*Continued.*

No. of Vote	SERVICE	Amount	Total
	EXCISE	$ cts.	$ cts.
385	Preventive service—Contingencies—Further amount required	3,000 00	
	Travelling expenses, rent, fuel, stationery, etc.—Further amount required	30,000 00	
	To enable the Department to supply methylated spirits to manufacturers, the cost of which will be recouped by the manufacturers to whom it is supplied, and to pay rent, power, freight, salaries, etc.—Further amount required	35,000 00	
			68,000 00
	WEIGHTS AND MEASURES, GAS AND ELECTRIC LIGHT INSPECTION		
386	Rent, fuel, travelling expenses, postage, stationery, etc., for Weights and Measures, including amount for purchase of standards of the Metric System, salaries and other expenses of inspectors—Further amount required	20,000 00	
	Provisional allowance, not more than $150 each to officers in Manitoba and provinces west thereof, whose salaries do not exceed $2,500 per annum—(Weights and Measures)—Further amount required	500 00	
			20,500 00
	ADULTERATION OF FOOD, ETC.		
387	Adulteration of food, and the administration of the Act respecting fertilizers, fraudulent marking and commercial feeding stuffs—Further amount required	5,000 00	
	To provide for payment to L. Laframboise, $58.78, and H. Grignon, $233.15, for special translation	291 93	
			5,291 93
	RAILWAYS AND CANALS (*Chargeable to Collection of Revenue*) RAILWAYS		
388	Intercolonial Railway — Working expenses — Further amount required	6,000,000 00	
	Prince Edward Island Railway—Working expenses—Further amount required	250,000 00	
	International Railway — Working expenses — Further amount required	125,000 00	
			6,375,000 00
	PUBLIC WORKS (*Chargeable to Collection of Revenue*) TELEGRAPH AND TELEPHONE LINES		
389	Saskatchewan—Further amount required	5,000 00	
	British Columbia—Mainland—Further amount required	4,000 00	
			9,000 00
	POST OFFICE DEPARTMENT *Outside Service*		
390	To pay certain railway mail clerks for extra work in checking incoming and outgoing British mails during the winter of 1913-1914 at the Ports of Halifax ($71.00) and St. John ($33.04); during the winter of 1915-16 at St. John ($91.82); and during the summer season of 1916 at Quebec ($459.10), notwithstanding anything to the contrary in the Civil Service Act	654 96	
	To compensate Railway Mail Clerk Wyndham Humphrey of the New Brunswick District, for loss of mileage for the period between the 10th and 23rd October, 1916	20 74	
	Allowance to Emile Carrier for injuries which resulted in the loss of an eye, sustained while acting as engineer on the *Lady Evelyn* during the season of 1916	6000 0	
			1,275 00

SCHEDULE B—*Concluded.*

No. of Vote	SERVICE	Amount	Total
	TRADE AND COMMERCE	$ cts.	$ cts.
391	Salaries, rent, wages and contingencies under the Canada Grain Act—Further amount required		160,000 00
	UNPROVIDED ITEMS 1915-16		
392	To cover unprovided items 1915-16, as per Auditor General's Report, Part B, page 3, 1915-16		68,859 99
	Total		9,127,777 42

APPENDIX 4

BUDGET SPEECH

DELIVERED BY

HON. SIR THOMAS WHITE, M.P.

Minister of Finance

IN THE

HOUSE OF COMMONS

Tuesday, April 24, 1917

Honourable Sir Thomas White (Minister of Finance) moved:—

That the Speaker do now leave the Chair for the House to go into Committee of Ways and Means.

He said: Mr. Speaker, I avail myself of the opportunity afforded by this motion to make the annual budget statement.

The features of the public finances in which I conceive the House to be chiefly interested at the present time are the relationship between national income and national expenditure and the increase in the national debt. For the first year of the war the revenue from all sources was about $130,000,000. It rose during the second year to $170,000,000. For the year ended March 31 last, I am happy to say, our income will reach $232.000,000, or one hundred million in advance of the fiscal year 1915. In round figures, $134,000,000 of the aggregate was derived from customs, $24,000,000 from excise, and $12,500,000 from the business profits war tax. From this last named tax, which was introduced by the Budget of last year, we estimated that we should receive $25,000,000 during the three years of its currency. Our experience has proved that this estimate will be largely exceeded. This tax was retroactive, being levied in respect of business accounting periods ending subsequently to

December 31, 1914. The profits of the first accounting period of businesses subject to the tax were much affected by the severe depression and dislocation of business incidental to the first months of the war. Nevertheless, from this first period the sum of $12,500,000 has already been collected, and when the full levy is made we expect to have collected in respect of this period as much as $15,000,000. For the second accounting period, the taxes for which are payable during this year, we estimate that the amount collected will be much larger—in fact, as high as $20,000,0000, or more. The increase will, of course, be due to the business prosperity which has prevailed in Canada during the past year and the profits made in supplying munitions of war. On the whole, notwithstanding the difficulty of organizing on short notice the official machinery necessary to cover so large a country as Canada, the tax has worked out much more satisfactorily than we expected, and the total results will be much greater than the estimate.

I have said that the total income of the past fiscal year was $232,000,000. Leaving aside for the moment our direct war expenditure, our outlay for the past year was upon ordinary account $145,000,000 and $27,000,000 upon capital and subsidy account, or a total of $172,000,000. It is to be borne in mind that of our ordinary expenditure $25,000,000 represents increased interest and pension charges due to the war. Taking our total revenue at $232,000,000 and our total current and capital expenditure at $172,000,000, we find that during the past fiscal year we were able to pay from our income all current and capital expenditure, all charges of interest upon our increased national debt, all pension outlays, and in addition devote the sum of $60,000,000 to payment of the principal of our war expenditure. For a country such as Canada, of sparse population and without the conditions of long-established and concentrated wealth prevailing in older and more settled communities, the result must be regarded as extremely satisfactory.

Coming next to the question of our direct war expenditure, we find that with our increasing military effort it also is continually increasing. Since the beginning of hostilities our total war outlay, including estimated and unadjusted liability to Great Britain for the maintenance of our troops at the front and inclusive of withheld pay, totals, so far as we can calculate, about $600,000,000. As the result of this large war expenditure, the net national debt of Canada, which was $336,000,000 before the outbreak of war, has arisen to over $900,000,000, although this will not be shown by our official statements for some months to come. By the end of the present fiscal year it may reach $1,200,000,000.

From the beginning it has been clear that it would not be possible for the people of Canada to pay, during the war, more than a part of the principal of our war expenditure. The policy of the Government has therefore been directed along two main lines: first, to fund the war indebtedness so as to postpone its maturities to periods well beyond the end of the war, and secondly, by increased taxation on the one hand and the reduction of current expenditure on works on the other to be in a position to meet from annual income all annual outlays including increased interest and pension charges and in addition a substantial amount of the war expenditure itself.

In order to carry out this programme it will be necessary, as our war expenditure, and consequently our interest and pension charges increase, to increase also our income. This raises the question of the sources of revenue still open to us. A higher customs taxation upon luxuries has been frequently suggested, but this proposal overlooks the fact that most articles of this character are embraced under fixed rates in the treaty with France, and the tariff cannot therefore be raised in respect of these. Apart from this we should hesitate at a time when France needs the advantage of all her sales on this side of the Atlantic to assist her exchanges, to place a prohibition or increased duty against importations from our great Ally.

Then it has been frequently suggested that following the example of Great Britain and the United States, we should adopt an income tax upon all incomes beyond, say, $1,000 or $2,000. The comparison in this regard, however, of Canada with either of these countries is fallacious. We are not a country of large accumulated wealth and of incomes derived from investments. Canadian incomes are derived mostly from personal earnings, and while there are many exceptions, the rule prevails generally throughout the Dominion. So far as I am aware the incomes of the professional and salaried classes throughout Canada have not materially increased since the outbreak of the war. In the case of many they have actually declined. This being so, it does not seem equitable to impose upon these the burden of an additional income tax—for they are taxed now upon their incomes by municipalities and provinces—at a time when owing to the war the cost of living has so greatly increased. If such a tax is to be imposed, it seems to me that so far as the great majority of Canadians are concerned, it might better be levied in time of peace, when the cost of living is again normal. It is further to be pointed out that the maximum amount which would be obtained from such a tax in Canada would in terms of Dominion finance be comparatively small and that its administration would require almost a second Civil Service sufficient in number to cover every municipality, rural and urban, throughout the Dominion. The cost of levy and collection of such a tax would be much higher proportionately than in a geographically small, wealthy, densely populated country like Great Britain or than in the United States, which although of the same area as Canada has twelve times the population and much more than twelve times our wealth. On the whole it would appear to me that the income tax should not be resorted to by the Dominion Government until its necessity becomes clearly and unmistakably apparent notwithstanding the drawbacks which I have mentioned. In connection with this tax it is also to be observed that the larger incomes in so far as they are not personally earned are derived in part from holdings in joint stock companies already subject to taxation under the provisions of the Business Profits War Tax Act. It must also be remembered that the Canadian public are voluntarily supporting the Canadian Patriotic, Red Cross, and other funds. The amount contributed annually to these funds is much in excess of the amount likely to be realized from any income tax. It is true that some wealthy men do not contribute their fair share to these funds. But this would also be true in any scheme of income taxation especially with issues of Dominion bonds exempt from Dominion taxation.

The question of further revenue then narrows down to abnormal profits made by business firms during the period of the war and this in my view is the proper and legitimate source to which to look for increased revenue to meet the increased cost of the war. If a business is making, in war time, profits above the normal, they must be due to the abnormal conditions created by the war, that is to say, such a business is deriving advantage from the war. It follows that it may properly be required to contribute a share of such profits to the Government for the purposes of the war. I do not see, Mr. Speaker, that it makes much difference whether the business in question is the making of munitions or of any other class. Munitions are needed and no discredit attaches to the enterprise which provides them. The steel company which engages in the production of munitions could in most cases make as much if not more money by selling its steel products in world markets. Moreover, it would be inequitable to discriminate against the firm which makes a profit upon the finished article known as munitions and leave untaxed the profits (it may be equally large) of those firms which manufacture and supply the raw material or partly manufactured products from which they are made, or the businesses throughout the country which make abnormal profits from the distribution of money expended by Governments in payment for such munitions. If higher profits are made in the manufacture of munitions the higher the tax taken under business profits legislation.

In accordance with the principle which I have enunciated the Government last year imposed the Business Profits War Tax. Under that legislation profits in excess of a certain percentage upon capital invested were taxed to the extent of twenty-five per cent of such excess. This measure has proved quite successful, not the least of its merits being the small cost of its administration which will probably not exceed one-half of one per cent upon the amount collected. In view of the increasing interest and pension charges due to the war and believing this to be the true source to which recourse should now be had for further revenue, we propose to extend this tax by taking an increased share of profits.

We propose to take from persons, firms and companies liable to the Business Profits War Tax Act, 1916, fifty per cent of all profits in excess of fifteen per cent but not exceeding twenty per cent per annum and seventy-five per cent of all profits in excess of twenty per cent per annum upon capital. That is to say, up to fifteen per cent they will be liable to the existing legislation and in addition we shall take one-half of their profits between fifteen per cent and twenty per cent and three-fourths of their profits beyond twenty per cent. The increased tax will chiefly affect manufacturers of munitions and other war supplies. While the percentage of excess profits which is taken is large, sufficient is left to provide incentive to effort on the part of all subject to the tax.

The new legislation will apply to the last accounting period of the three year term provided for in the Business Profits War Tax Act, 1916, namely, to all accounting periods ending after December 31, 1916. I am unable to estimate what amount will be derived from this taxation as it will depend upon the condition of business during the year. It will, however, give us without doubt a very substantial additional revenue.

Before leaving the question of taxation, I desire to say that the measures we have adopted have necessarily broadened in their scope as the war has progressed. No one has at any time been able to forecast the length of the war. It has now lasted nearly three years and the end is not yet in sight. Should another year be added to its duration with the consequent increase in our financial burden new sources of revenue must undoubtedly be sought. In seeking for these it should, I am sure, always be kept in mind that Canada has been in the past and will likely be for many years in the future a country inviting immigration and capital to develop its resources and contribute to its prosperity. Especially should we in considering taxation measures for the period following the war keep in view the desirability of the flow of settlers and capital to Canada not being retarded through fear on their part of heavy Federal taxation.

CANADA'S WAR LOANS

The question of our financing since the last Budget was fully explained and discussed in the first part of this session. During the recess we successfully floated the third Canadian War Loan, an issue of $150,000,000 five per cent, twenty year bonds at 96. The public response was most gratifying, the issue having been oversubscribed to the extent of about one hundred million dollars. The proceeds of this loan will enable us to finance ourselves and the Imperial treasury in respect of expenditures in Canada until June. It is my present intention to arrange then for an issue of notes or treasury bills and if conditions are favourable offer another war loan in the early fall.

Since the outbreak of war we have floated in Canada domestic loans aggregating $350,000,000 and have in addition furnished $150,000,000 through our chartered banks to the Imperial treasury to meet its commitments for munitions and supplies purchased in Canada. Everywhere, I believe, this is regarded as a very notable achievement on the part of Canada. It has not only made possible our participation on a large scale in the war, but it has in greater measure than we realized brought about the present state of prosperity in the Dominion. Without the aid afforded by the savings of our people the expenditures which have been made in Canada by both Governments for supplies and munitions could not have been made, so that those who have saved have benefited not only themselves but the entire community. While our national saving during the war has been gratifyingly large, it is not so great as it should have been, and today not better advice can be offered to the public than to exercise the strictest thrift and economy. Every additional day the war lasts makes this individual and national duty the more imperative.

CANADA'S TRADE 1916-17

No aspect of our affairs during the war is more striking than the vast increase which has taken place in our international trade. The aggregate of our imports and exports (excluding coin and bullion) for the fiscal year 1912 was $841,000,000; for 1913, $1,063,000,000; for 1914, $1,090,000,000; for 1915, $958,000,000; for 1916, $1,309,000,000. For the year ended on March 31 last, the total international trade of Canada reached the enormous total of $2,043,000,000.

Mr. Michael Clark: Would the minister kindly give us a statement of the exports and imports?

Sir Thomas White. If my hon. friend does not mind, I would prefer to give them in committee. I have them here, but I cannot conveniently lay my hand upon them.

This, Mr. Speaker, is nearly double the volume of the largest trade in the history of Canada before the war. Equally notable with this huge increase in volume is the change which has taken place in relative amounts of imports and exports. For 1912, the balance against us was $125,000,000; for 1913, $309,000,000; for 1914, $180,000,000; for 1915, $36,000,000. For 1916, we had for the first time in many years a favourable balance of $249,000,000. During the last fiscal year this favourable balance increased to $314,000,000. Figures such as these indicate a very prosperous condition within the Dominion. It must, however, be steadily kept in mind that the higher prices obtainable under war conditions for our national products and the output of our industrial plants of war supplies and munitions are chiefly responsible for this extraordinarily favourable condition of external trade, and that with the cessation of the war dislocation of industry and modification of prices are bound to ensue. I take it that it is unnecessary for me to mention the large increase in our exports due to our grain and other commodities sent abroad by us and the high prices which have been and are being obtained for them. I said that, with the cessation of the war, dislocation of industry and modification of prices are bound to ensue. The only safeguard against these conditions is saving on the part of all who are now engaged at good wages and are in a position to save and the careful husbanding of their resources by firms and companies engaged in business. The position of most businesses in Canada is now thoroughly sound, and it is for their proprietors, with the prudent watchfulness of their bankers, to keep them in that condition. The sources of danger to business in war time are speculation in commodities and stock exploitation on the exchanges. With these avoided and national savings greatly increased we might look forward with confidence to whatever may occur in the reconstruction period after the war.

We have no tariff changes to propose.

To carry out the taxation proposal which I have announced and certain necessary amendments to the Business Profits War Tax Act, 1916, I beg to give notice of the following resolution which I shall move in committee:—

Resolved, That it is expedient to amend the Business Profits War Tax Act, 1916, by providing:—

1. That in any business taxable under the Act where the annual profits exceed fifteen per centum per annum the tax shall be increased to fifty per centum with respect to all profits in excess of the said fifteen per centum but not exceeding twenty per centum per annum, and where the profits exceed twenty per centum per annum the tax shall be increased to seventy-five per centum with respect to all profits in excess of the said twenty per centum, and such increases in the tax shall be levied against and paid by the person owning such business for each and every accounting period ending after the thirty-first day of December, one thousand nine hundred and sixteen;

2. That for the purposes of the said Act, the actual unimpaired reserve, rest or accumulated profits held at the commencement of an accounting period by an incorporated company shall be included as part of its capital as long as it is held and used by the company as capital;

That any enactment founded on this resolution shall be deemed to have come into force on and from the eighteenth day of May, one thousand nine hundred and sixteen;

3. That the tax shall be paid each year within one month from the date of the mailing of the notice of assessment;

4. That with respect to every business liable to taxation hereunder the period for which the returns shall be made and during which it shall be liable for assessment shall be at least thirty-six months, commencing

with the beginning of the first accounting period ending after the thirty-first day of December, 1914, or for such less period as the business may have been carried on from the beginning of the said accounting period to the end of the period for which the said tax may be levied under the said Act.

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